UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __to __

Commission File Number: 000-56294

COLUMBIA CARE INC.
(Exact Name of Registrant as Specified in its Charter)

British Columbia	**98-1488978**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
680 Fifth Ave., 24th Floor New York, New York	**10019**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (212) 634-7100

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐

No ☐

As of November 8, 2022, there were 400,438,063 shares of common stock, no par value per share, outstanding.

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" regarding Columbia Care Inc. and its subsidiaries (collectively referred to as "Columbia Care," "we," "us," "our," or the "Company"). We make forward-looking statements related to future expectations, estimates, and projections that are uncertain and often contain words such as, but not limited to, "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or other similar words or phrases. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. Particular risks and uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include those listed below:

- the satisfaction of the conditions precedent to the closing of the Cresco Transaction (as defined herein);
- the receipt of any necessary regulatory approvals in connection with Cresco Transaction (as defined herein);
- the impact of the Cresco Transaction (as defined herein) on the Company's current and future operations, financial condition and prospects;
- the value of the Cresco Labs Shares (as defined herein);
- the costs of the Cresco Transaction (as defined herein) and potential payment of a termination fee in connection with the Cresco Transaction (as defined herein);
- the ability to successfully integrate with the operations of Cresco Labs (as defined herein) and realize the expected benefits of the Cresco Transaction (as defined herein);
- the fact that marijuana remains illegal under federal law;
- the application of anti-money laundering laws and regulations to the Company;
- legal, regulatory, or political change to the cannabis industry;
- access to the services of banks for the Company, Cresco Labs or buyers of divestiture assets in relation to the Cresco Transaction (as defined herein);
- the ability to complete divestitures in connection with the Cresco Transaction, including the closing of the Combs Transaction (as defined herein);
- access to public and private capital;
- unfavorable publicity or consumer perception of the cannabis industry;
- expansion to the adult-use markets;
- the impact of laws, regulations, and guidelines;
- the impact of Section 280E of the Internal Revenue Code;
- the impact of state laws pertaining to the cannabis industry;
- the Company's reliance on key inputs, suppliers and skilled labor;
- the difficulty of forecasting the Company's sales;
- constraints on marketing products;
- potential cyber-attacks and security breaches;
- net operating loss and other tax attribute limitations;
- the impact of changes in tax laws;
- the volatility of the market price of the Common Shares;
- reliance on management;
- litigation;
- future results and financial projections; and
- the impact of global financial conditions

The list of factors above is illustrative and by no means exhaustive. Additional information regarding these risks and other risks and uncertainties we face is contained in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2021, and our Form 10, dated May 9, 2022. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended.

We urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

COLUMBIA CARE INC.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)
(Expressed in thousands of U.S. dollars, except share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash	$ 50,023	$ 82,198
Accounts receivable, net of allowances of $1,721 and, $2,542, respectively	12,647	18,302
Inventory	130,176	94,567
Prepaid expenses and other current assets	15,669	29,252
Assets held for sale	—	2,120
Total current assets	208,515	226,439
Property and equipment, net	370,820	339,692
Right of use assets - operating leases, net	197,311	179,099
Right of use assets - finance leases, net	62,344	66,442
Goodwill	189,917	184,018
Intangible assets, net	325,680	367,787
Other non-current assets	16,991	13,035
Total assets	1,371,578	1,376,512
Liabilities and Equity		
Current liabilities:		
Accounts payable	23,661	44,007
Accrued expenses and other current liabilities	90,217	126,954
Income tax payable	5,901	26,537
Contingent consideration	—	29,345
Current portion of lease liability - operating leases	10,291	9,056
Current portion of lease liability - finance leases	5,790	5,092
Current portion of long-term debt, net	42,155	1,884
Liabilities held for sale	—	1,122
Total current liabilities	178,015	243,997
Long-term debt, net	285,113	159,017
Deferred taxes	67,397	79,477
Long-term lease liability - operating leases	195,069	176,004
Long-term lease liability - finance leases	67,117	70,268
Contingent consideration	—	11,596
Derivative liability	855	6,795
Other long-term liabilities	77,135	78,535
Total liabilities	870,701	825,689
Stockholders' Equity:		
Common Stock, no par value, unlimited shares authorized as of September 30, 2022 and December 31, 2021, respectively, 387,673,510 and 361,423,270 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Preferred Stock, no par value, unlimited shares authorized as of September 30, 2022 and December 31, 2021, respectively, none issued and outstanding as of September 30, 2022 and December 31, 2021	—	—
Proportionate voting shares, no par value, unlimited shares authorized as of September 30, 2022 and December 31, 2021, respectively; 12,013,889 and 14,729,636 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Additional paid-in-capital	1,110,244	1,039,726
Accumulated deficit	(603,893)	(468,335)
Equity attributable to Columbia Care Inc.	506,351	571,391
Non-controlling interest	(5,474)	(20,568)
Total equity	500,877	550,823
Total liabilities and equity	$ 1,371,578	$ 1,376,512

The accompanying notes are an integral part of these Condensed Consolidated Interim Balance Sheets.

COLUMBIA CARE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in thousands of U.S. dollars, except for number of shares and per share amounts)

	Three months ended		Nine months ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Revenues, net of discounts	132,733	$ 132,322	$ 385,391	$ 320,804
Cost of sales related to inventory production	(80,462)	(69,525)	(225,645)	(181,120)
Cost of sales related to business combination fair value adjustments to inventory	(136)	(1,430)	(136)	(2,922)
Gross Margin	52,135	61,367	159,610	136,762
Selling, general and administrative expenses	(70,845)	(61,745)	(215,093)	(162,282)
Loss from operations	(18,710)	(378)	(55,483)	(25,520)
Other expense:				
Interest (expense) income on leases, net	(1,365)	(1,067)	(4,161)	(3,831)
Interest (expense) income, net	(12,974)	(6,990)	(35,702)	(14,855)
Other income (expense), net	1,321	(48,934)	791	(48,615)
Total other expense	(13,018)	(56,991)	(39,072)	(67,301)
Loss before provision for income taxes	(31,728)	(57,369)	(94,555)	(92,821)
Income tax benefit (expense)	(6,575)	12,999	(25,909)	631
Net loss and comprehensive loss	(38,303)	(44,370)	(120,464)	(92,190)
Net loss attributable to non-controlling interests	(2,872)	(1,474)	(4,569)	(2,368)
Net loss attributable to shareholders	(35,431)	$ (42,896)	$ (115,895)	$ (89,822)
Weighted-average number of shares used in earnings per share - basic and diluted	399,227,935	325,416,684	389,966,408	311,446,922
Loss attributable to shares (basic and diluted)	$ (0.09)	(0.13)	(0.30)	(0.29)

The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

COLUMBIA CARE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in thousands of U.S. dollars, except for number of shares)

	Shares	Proportionate Voting Shares	Additional Paid-in Capital	Accumulated Deficit	Total Columbia Care Inc. Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2021	**361,423,270**	**14,729,636**	**$ 1,039,726**	**$ (468,335)**	**$ 571,391**	**$ (20,568)**	**$ 550,823**
Equity-based compensation (1)	237,486	—	6,358	—	6,358	—	6,358
Warrants exercised	180,000	—	425	—	425	—	425
Net loss	—	—	—	(26,636)	(26,636)	(1,270)	(27,906)
Balance, March 31, 2022	**361,840,756**	**14,729,636**	**$ 1,046,509**	**$ (494,971)**	**$ 551,538**	**$ (21,838)**	**$ 529,700**
Equity-based compensation (1)	21,034,418	—	49,346	—	49,346	—	49,346
Issuance of shares in connection with acquisitions	1,099,549	—	3,178	—	3,178	—	3,178
Cancellation of restricted stock awards	—	—	—	—	—	—	—
Conversion of convertible notes	—	—	—	—	—	—	—
Conversion between classes of shares	2,431,508	(2,431,508)	—	—	—	—	—
Non-controlling interest buyout	—	—	—	(19,663)	(19,663)	19,663	—
Warrants exercised	—	—	—	—	—	—	—
Net loss	—	—	—	(53,828)	(53,828)	(427)	(54,255)
Balance, June 30, 2022	**386,406,231**	**12,298,128**	**1,099,033**	**(568,462)**	**530,571**	**(2,602)**	**527,969**
Equity-based compensation (1)		—	6,780	—	6,780	—	6,780
Issuance of shares in connection with acquisitions	983,040	—	4,431	—	4,431	—	4,431
Conversion between classes of shares	284,239	(284,239)	—	—	—	—	—
Cancellation of restricted stock awards			—	—	—	—	—
Net loss	—	—	—	(35,431)	(35,431)	(2,872)	(38,303)
Balance, September 30, 2022	**387,673,510**	**12,013,889**	**$ 1,110,244**	**$ (603,893)**	**$ 506,351**	**$ (5,474)**	**$ 500,877**

(1) The amounts shown are net of any shares withheld by the Company to satisfy certain tax withholdings in connection with vesting of equity-based awards.

The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Changes in Equity.

COLUMBIA CARE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Unaudited)
(expressed in thousands of U.S. dollars, except for number of shares)

	Shares	Proportionate Voting Shares	Additional Paid-in Capital	Accumulated Deficit	Total Columbia Care Inc. Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2020	**250,003,917**	**26,507,914**	**$ 632,062**	**$ (325,238)**	**$ 306,824**	**$ (19,875)**	**$ 286,949**
Equity-based compensation (1)	190,925	—	7,792	—	7,792	—	7,792
Issuance of shares, net	21,792,500	—	133,151	—	133,151	—	133,151
Issuance of shares in connection with acquisitions	971,541	—	4,972	—	4,972	—	4,972
Conversion between classes of shares	9,236,733	(9,236,733)	—	—	—	—	—
Cancellation of restricted stock awards	(13,770)	(8,077)	—	—	—	—	—
Warrants exercised	262,200	—	808	—	808	—	808
Net loss	—	—	—	(28,782)	(28,782)	(381)	(29,163)
Balance, March 31, 2021	**282,444,046**	**17,263,104**	**778,785**	**(354,020)**	**424,765**	**(20,256)**	**404,509**
Equity-based compensation (1)	4,787,211	—	2,582	—	2,582	—	2,582
Issuance of shares in connection with acquisitions	54,238,143	—	189,015	—	189,015	—	189,015
Cancellation of restricted stock awards	(85,755)	(330,646)	—	—	—	—	—
Conversion of convertible notes	4,550,139	—	23,919	—	23,919	—	23,919
Conversion between classes of shares	1,584,570	(1,584,570)	—	—	—	—	—
Non-controlling interest buyout	—	—	1,960	—	1,960	(1,960)	—
Warrants exercised	551,743	—	1,093	—	1,093	—	1,093
Net loss	—	—	—	(18,144)	(18,144)	(513)	(18,657)
Balance, June 30, 2021	**348,070,097**	**15,347,888**	**$ 997,354**	**$ (372,164)**	**$ 625,190**	**$ (22,729)**	**$ 602,461**
Equity-based compensation (1)	317,191	—	2,864	—	2,864	—	2,864
Issuance of shares in connection with acquisitions	1,701,633	—	690	—	690	—	690
Conversion between classes of shares	558,266	(558,266)	—	—	—	—	—
Cancellation of restricted stock awards	(12,449)	(3,435)	—	—	—	—	—
Net loss	—	—	—	(42,896)	(42,896)	(1,474)	(44,370)
Balance, September 30, 2021	**350,634,738**	**14,786,187**	**$ 1,000,908**	**$ (415,060)**	**$ 585,848**	**$ (24,203)**	**$ 561,645**

(1) The amounts shown are net of any shares withheld by the Company to satisfy certain tax withholdings in connection with vesting of equity-based awards.

The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Changes in Equity.

COLUMBIA CARE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (120,464)	$ (92,190)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	63,077	33,801
Equity-based compensation	20,649	18,029
Impairment of disposal group	—	2,000
Debt amortization expense	6,278	4,129
Loss on conversion of Convertible Notes	—	1,580
Earnout adjustment	349	-
Provision for obsolete inventory and other assets	5,040	2,284
Gain on remeasurement of contingent consideration	(37,362)	(23,582)
Change in fair value of derivative liability	(5,940)	(6,760)
Deferred taxes	(4,749)	(16,739)
Other	682	244
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	5,526	(645)
Inventory	(40,346)	(14,763)
Prepaid expenses and other current assets	7,623	5,316
Other assets	977	11,649
Accounts payable	(8,821)	4,183
Accrued expenses and other current liabilities	12,899	74,092
Income taxes payable	(20,636)	5,927
Other long-term liabilities	(1,335)	(11,522)
Net cash used in operating activities	(116,553)	(2,967)
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	19	(44,268)
Purchases of property and equipment	(69,362)	(72,323)
Cash paid for other assets	—	(15,770)
Proceeds from sale of property and equipment	358	-
Cash (paid) received on deposits, net	(2,973)	(2,880)
Cash for loan under CannAscend and Corsa Verde agreements	—	(672)
Net cash used in investing activities	(71,958)	(135,913)
Cash flows from financing activities:		
Proceeds from issuance of common shares	—	133,559
Issuance of common shares and warrants costs	—	(408)
Proceeds from issue of debt	153,250	71,520
Issuance of Mortgage	16,500	-
Debt issuance costs	(7,699)	(210)
Repayment of debt	(457)	(9,550)
Repayment of sellers note	(1,500)	
Payment of lease liabilities	(2,965)	(7,844)
Exercise of warrants	425	1,901
Taxes paid on equity based compensation	(218)	(4,791)
Net cash provided by financing activities	157,336	184,177
Net increase (decrease) in cash	(31,175)	45,297
Cash and restricted cash at beginning of the period	82,533	71,969
Cash and restricted cash at end of the period	51,358	117,266
Reconciliation of cash and cash equivalents and restricted cash:		
Cash and cash equivalents	50,023	116,931
Restricted cash	1,335	335
Cash and cash equivalents and restricted cash, end of period	$ 51,358	$ 117,266
Supplemental disclosure of cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 18,862	$ 15,547
Operating cash flows from finance leases	4,355	3,814
Financing cash flows from finance leases	4,305	7,844
Cash paid for interest on other obligations	24,545	7,667
Cash paid for income taxes	51,435	10,379
Lease liabilities arising from the recognition of operating right-of-use assets	20,046	38,070
Lease liabilities arising from the recognition of finance right-of-use assets	1,891	18,743
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash fixed asset additions within accounts payable and accrued expenses	2,513	18,242
Shares issued in connection with business acquisitions	$ 7,609	$ 132,201

COLUMBIA CARE INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of U.S. dollars, except for share and per share amounts)
(Unaudited)

1. OPERATIONS OF THE COMPANY

Columbia Care Inc. (“the Company” or “the Parent”), was incorporated under the laws of the Province of Ontario on August 13, 2018. The Company's principal mission is to improve lives by providing cannabis-based health and wellness solutions and derivative products to qualified patients and consumers. The Company’s head office and principal address is 680 Fifth Ave. 24th Floor, New York, New York 10019. The Company’s registered and records office address is 666 Burrard St #1700, Vancouver, British Columbia V6C 2X8.

On April 26, 2019, the Company completed a reverse takeover (“RTO”) transaction and private placement. Following the RTO, the Company’s Common Shares were listed on the Aequitas NEO exchange, trading under the symbol “CCHW”. As of the time of this report, the Company’s Common Shares are also listed on the Canadian Securities Exchange (the “CSE”) under the symbol “CCHW”, the OTCQX Best Market under the symbol “CCHWF” and on the Frankfurt Stock Exchange under the symbol “3LP”.

On March 23, 2022, the Company jointly announced with Cresco Labs LLC (“Cresco Labs”) that the Company and Cresco Labs have entered into a definitive arrangement agreement (the “Arrangement Agreement”) pursuant to which Cresco Labs will acquire all of the issued and outstanding shares (the “Company Shares”) of the Company (the “Cresco Transaction”). Subject to customary closing conditions and necessary regulatory approvals, the Cresco Transaction is expected to close around the end of the first quarter of 2023. Under the terms of the Arrangement Agreement, shareholders of the Company (the “Company Shareholders”) will receive 0.5579 of a subordinate voting share of Cresco Labs (each whole share, a “Cresco Labs Share”) for each Company common share (or equivalent) held, subject to adjustment, representing total consideration enterprise value of approximately US$2.0 billion based on the closing price of Cresco Labs Shares on the CSE as of March 22, 2022. After giving effect to the Cresco Transaction, Company Shareholders will hold approximately 35% of the pro forma Cresco Labs Shares (on a fully diluted in-the-money, treasury method basis).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP” or “GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (the “SEC”).

The accompanying unaudited condensed interim consolidated financial statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, comprehensive income, statement of shareholders’ equity, and cash flows of the Company for the interim periods presented. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three and nine months ended September 30, 2022, are not necessarily indicative of the results that may be expected for the current year ending December 31, 2022. The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the years ended December 31, 2021, and 2020 included in the Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Form 10-K”).

The preparation of these unaudited condensed interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC and the instructions to Form 10-Q.

Significant Accounting Judgments, Estimates and Assumptions

The Company’s significant accounting policies are described in Note 2 to the Company’s 2021 Form 10-K, filed with the SEC, on March 31, 2022. There have been no material changes to the Company’s significant accounting policies.

Revenue

The Company's revenues are disaggregated as follows:

	Three months ended		Nine months ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Dispensary	$ 111,960	$ 103,368	$ 328,070	$ 263,267
Cultivation and wholesale	20,754	28,932	57,223	57,428
Other	19	22	98	109
	$ 132,733	$ 132,322	385,391	$ 320,804

During the three and nine months ended September 30, 2022, the Company netted discounts of $26,156 and $74,775 against the revenues, respectively. During the three and nine months ended September 30, 2021, the Company netted discounts of $17,209 and $39,921, against the revenues, respectively. Discounts are provided by the Company during promotional days or weekends. Discounts are also provided to employees, seniors and other categories of customers and may include price reductions and coupons.

Income taxes

The Company calculated its actual effective tax rate for the interim period and applied that rate to the interim period results. In accordance with ASC 740-270, at the end of each interim period the Company is required to determine its best estimate of its annual effective tax rate and apply that rate in providing income taxes on an interim period. However, in certain circumstances when the Company concludes it is unable to reliably estimate the annual effective tax rate for the year, the actual effective tax rate for the interim period may be used. The Company believes that, at this time, the use of the actual effective tax rate is more appropriate than the estimated annual effective tax rate method as the estimated annual effective tax rate method is not reliable due the high degree of uncertainty in estimating annual pre-tax income due to the growth stage of the business, the correlation of Selling, General, and Administrative ("SG&A") expenses to revenue that are permanently disallowed via Section 280E of the Internal Revenue Code, and the timing of the completion of the Cresco transaction.

Modification of debt

The Company accounts for modifications of debt arrangements in accordance with ASC 470-50 Modifications and Extinguishments ("ASC 470-50"). As such, the Company continues to amortize any remaining unamortized debt discount as of debt modification date over the term of the amended debt. The Company expenses any fees paid to third parties and capitalizes creditor fees associated with the modification as a debt discount and amortizes them over the term of the amended debt.

Business Combinations

We include the results of operations of the businesses that we acquire as of the acquisition date. We allocate the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

3. INVENTORY

Details of the Company's inventory are shown in the table below:

	September 30, 2022	**December 31, 2021**
Accessories	$ 935	$ 815
Work-in-process - cannabis in cures and final vault	96,353	52,519
Finished goods - dried cannabis, concentrate and edible products	32,888	41,233
Total inventory	$ 130,176	$ 94,567

The inventory values are net of inventory write-downs as a result of obsolescence or unmarketability charged to cost of sales. As a result of local market conditions in Colorado, there was a $4,760 and $7,160 write-down during the three and nine months ended September 30, 2022, respectively.

4. CURRENT AND LONG-TERM DEBT

Current and long-term obligations, net, are shown in the table below:

	September 30, 2022	December 31, 2021
2026 Notes	$ 185,000	$ —
Term debt	38,215	69,965
2025 Convertible Notes	74,500	74,500
Mortgage Note	36,118	20,000
2023 Convertible Notes	5,600	5,600
Acquisition related real estate notes	7,000	7,000
Acquisition related promissory notes	3,375	4,875
Acquisition related term debt	3,239	3,314
	353,047	185,254
Unamortized debt discount	(13,885)	(19,301)
Unamortized deferred financing costs	(11,958)	(5,379)
Unamortized debt premium	64	327
Total debt, net	327,268	160,901
Less current portion, net*	(42,155)	(1,884)
Long-term portion	$ 285,113	$ 159,017

*The current portion of the debt includes scheduled payments on the mortgage notes, acquisition related promissory notes and acquisition related notes payable, net of corresponding portion of the unamortized debt discount, and unamortized deferred financing costs.

The Company was in compliance with all financial covenants and was not in default of any provisions under any of its debt arrangements as of September 30, 2022.

Private Placement

On February 3, 2022, Columbia Care closed a private placement of $185,000 aggregate principal amount of 9.50% senior-secured first-lien notes due 2026 (the "2026 Notes") and received aggregate gross proceeds of $153,250. The 2026 Notes are senior secured obligations of the Company and were issued at 100.0% of face value. The 2026 Notes accrue interest in arrears which is payable semi-annually and mature on February 3, 2026, unless earlier redeemed or repurchased. The Company may redeem the 2026 Notes at par, in whole or in part, on or after February 3, 2024, as more particularly described in the fourth supplemental trust indenture governing the 2026 Notes. In connection with the offering of the 2026 Notes, the Company exchanged $31,750 of the Company's existing 13.0% Term Debt, pursuant to private agreements in accordance with the trust indenture, for an equivalent amount of 2026 Notes plus accrued but unpaid interest and any negotiated premium thereon.

The premium and paid interest were paid out of funds raised from the February 2022 Private Placement. The total unamortized debt and debt issuance costs of $2,153, related to modified portion of the Term Debt, will be amortized over the term of the 2026 Notes using the effective interest method. The Company incurred $7,189 in creditor fees in connection with the modified Term Debt and 2026 Notes and $301 in third-party legal fees related to 2026 Notes which were capitalized and will be amortized over the term of the 2026 Notes using the effective interest rate method.

Total interest and amortization expense on the Company's debt obligations during the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest expense on debt	$ 10,801	$ 5,233	$ 29,653	$ 11,130
Amortization of debt discount	1,325	1,351	3,922	3,373
Amortization of debt premium	(38)	(70)	(125)	(210)
Amortization of debt issuance costs	917	371	2,481	966
Other interest (expense) income, net	(31)	105	(229)	(404)
Total interest expense, net	$ 12,974	$ 6,990	$ 35,702	$ 14,855

The weighted average interest rate on the Company's indebtedness was 8.82%.

5. ACQUISITIONS

Futurevision Holdings, Inc., Futurevision 2020, LLC and Medicine Man Longmont, LLC

On November 1, 2021, the Company acquired (the “Medicine Man Transaction”) a 100% ownership interest in Futurevision Holdings, Inc. and Futurevision 2020, LLC (collectively, “Medicine Man”), through the Agreement and Plan of Merger (the “Merger Agreement”). Concurrently with the Merger Agreement, the Company was granted an option (the “Option”) to purchase Medicine Man Longmont, LLC (“Medicine Man Longmont”). The Option was exercised by the Company on August 12, 2022 following the sale of the Company’s former TGS Longmont location in July 2022. The Company has recorded the Option as an intangible asset as of the November 1, 2021, closing date, at its estimated fair value of $5,899, which represents the ultimate purchase price associated with the underlying property, since the time period to exercise the Option is short and given the certainty expressed by management to exercise the Option. Medicine Man was formed in 2010 for the purpose of selling medicinal and recreational cannabis products in the state of Colorado. Medicine Man owns and operates vertically integrated cultivation facilities, manufacturing facilities and retail dispensaries in the state of Colorado. The Company executed the Medicine Man Transaction in order to continue to grow revenues; expand its cultivation facilities, manufacturing facilities and dispensaries; and expand in the Colorado market.

The following table summarizes the preliminary fair value of total consideration transferred and the fair value of each major class of consideration for Medicine Man:

Consideration transferred		
Cash consideration	$	7,240
Closing shares		23,955
Contingent consideration		3,664
Purchase option obligation		5,899
Total unadjusted purchase price		40,758
Working capital adjustment		127
Total adjusted purchase price		40,885
Less: Cash and cash equivalents acquired		(1,250)
Total purchase price, net of cash and cash equivalents acquired	$	39,635

Equity purchase consideration comprised 5,840,229 Common Shares of which 4,857,184 were issued during the year 2021. As per the terms of the Merger Agreement, the Company paid $836 in cash and issued 1,099,549 milestone shares in settlement of contingent consideration during April 2022. Also, upon closing of the Medicine Man Longmont Option, the Company paid $1,468 in cash and issued 983,040 Common Shares in August 2022.

Recognized amounts of identifiable assets acquired, and liabilities assumed, less cash and cash equivalents acquired:

Purchase price allocation		
Assets acquired:		
Inventory	$	3,611
Prepaid expenses and other current assets		397
Property and equipment		1,498
Right of use assets		10,613
Goodwill		15,807
Intangible assets		30,370
Accounts payable		(696)
Accrued expenses and other current liabilities		(1,910)
Lease liabilities		(11,233)
Deferred tax liabilities		(8,822)
Consideration transferred	$	39,635

The purchase price has been allocated on the basis of the preliminary estimates of fair values of assets and liabilities assumed, resulting in goodwill of $15,807. The goodwill consists of expected synergies from combining operations of the Company and Medicine Man, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill is deductible for tax purposes.

Medicine Man’s state licenses and trademarks represented identifiable intangible assets acquired in the amounts of $26,900 and $3,470 respectively, which were determined to have definite useful lives of 10 and 5 years respectively.

In conjunction with the Medicine Man Transaction, the Company expensed $1,099 of acquisition-related costs, which have been included in selling, general and administrative expenses on the Company's consolidated statement of operations and comprehensive loss for the year ended December 31, 2021.

Agreement and Plan of Merger with Green Leaf Medical LLC

Effective June 11, 2021, the Company and certain subsidiaries entered into an agreement and plan of merger (the "gLeaf Agreement") with Green Leaf Medical LLC ("gLeaf"). Under the gLeaf Agreement, the Company may be obligated to provide contingent consideration, payable in common shares of the Company (the "Milestone Shares"), to the shareholders of gLeaf if gLeaf achieves certain performance-based milestones through the 12-month period to June 30, 2022 and through the 12 month period through June 30, 2023 (collectively the "Milestone Periods"). The Company and the former shareholders of gLeaf have each engaged third-party experts to independently assess performance over the first Milestone Period through June 30, 2022 (the "First Milestone") and had differing conclusions with respect to whether the First Milestone was met, in that the Company's third-party expert determined that no Milestone Shares were payable for the First Milestone. The parties are in discussions with respect to the First Milestone and indemnification claims stemming from the gLeaf Agreement, however, if no agreement is reached this could result in litigation.

Agreement and Plan of Merger with Cresco Labs

On March 23, 2022, the Company and Cresco Labs, announced the execution of the Arrangement Agreement, by and between the Company and Cresco Labs. On July 8, 2022, the Company held a special meeting of the shareholders of the Company at which the shareholders approved the Cresco Transaction. On July 15, 2022, the Company also obtained the final order from the Supreme Court of British Columbia approving the Arrangement Agreement with Cresco Labs.

6. PROPERTY AND EQUIPMENT

Details of the Company's property and equipment and related depreciation expense are summarized in the tables below:

	September 30, 2022	December 31, 2021
Land and buildings	$ 128,639	$ 113,736
Furniture and fixtures	10,699	8,564
Equipment	42,032	36,052
Computers and software	3,546	2,914
Leasehold improvements	203,937	145,259
Construction in process	58,572	86,326
Total property and equipment, gross	447,425	392,851
Less: Accumulated depreciation	(76,605)	(53,159)
Total property and equipment, net	$ 370,820	$ 339,692

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Total depreciation expense for three and nine months ended	$ 8,583	$ 6,138	$ 23,715	$ 15,819
Included in:				
Costs of sales related to inventory production	$ 4,865	$ 3,559	13,353	9,250
Selling, general and administrative expenses	$ 3,718	$ 2,579	10,362	6,569

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Details of the Company's prepaid expenses and other current assets are summarized in the table below:

	September 30, 2022	December 31, 2021
Prepaid expenses	$ 10,435	$ 15,362
Short term deposits	2,452	6,960
Other current assets	1,837	5,822
Excise and sales tax receivable	945	1,108
Prepaid expenses and other current assets	$ 15,669	$ 29,252

8. OTHER NON-CURRENT ASSETS

Details of the Company's other non-current assets are summarized in the table below:

	September 30, 2022	December 31, 2021
Long term deposits	$ 8,606	$ 5,602
Indemnification receivable	2,164	4,111
Investment in affiliates	775	776
Restricted cash	1,335	335
Notes receivable	4,111	2,211
Other non-current assets	$ 16,991	$ 13,035

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Details of the Company's accrued expenses and other current liabilities are summarized in the table below:

	September 30, 2022	**December 31, 2021**
Accrued acquisition and settlement of pre-existing relationships	$ 150	$ 86,596
Taxes - property and other	9,003	14,062
Other accrued expenses	57,125	6,035
Payroll liabilities	15,714	12,799
Other current liabilities	6,854	4,673
Construction in progress	1,371	2,789
Accrued expenses and other current liabilities	$ 90,217	$ 126,954

As of September 30, 2022, other accrued expenses include approximately $44,000 relating to a combination of indemnification claims, notices and demand letters received by the Company, including, without limitation, potential disputes arising out of the gLeaf Agreement, together with a general accrual for estimated fees anticipated to close these matters. The outcome of any of these matters cannot yet be determined with any certainty and the Company will continue to rigorously defend any claims made against it.

10. SHAREHOLDERS' EQUITY

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

- Granted 10,242,081 time-based restricted stock units and 1,473,261 performance-based restricted stock units during the nine months ended September 30, 2022.
- Issued 2,395,792 Common Shares upon vesting of RSUs. An additional 888,683 shares were sold to cover for taxes on the share-based compensation units that were issued during the nine months ended September 30, 2022.

11. WARRANTS

As of September 30, 2022 and December 31, 2021, outstanding equity-classified warrants to purchase Common Shares consisted of the following:

Expiration	**Number of Shares Issued and Exercisable**	**Exercise Price (Canadian Dollars)**	**Number of Shares Issued and Exercisable**	**Exercise Price (Canadian Dollars)**
October 1, 2025	648,783	8.12	648,783	8.12
April 26, 2024	5,394,945	10.35	5,394,945	10.35
May 14, 2023	1,723,250	3.10	1,723,250	3.10
May 14, 2023	1,818,788	2.95	1,998,788	2.95
May 14, 2023	1,897,000	5.84	1,897,000	5.84
	11,482,766	$ 7.22	11,662,766	$ 7.15

Warrant activity for the nine months ended September 30, 2022 and 2021 are summarized in the table below:

	Number of Warrants	Weighted average exercise price (Canadian Dollars)
Balance at December 31, 2020	13,147,919	$ **6.91**
Exercised	(1,485,153)	5.01
Balance at September 30, 2021	11,662,766	$ **7.15**
Balance at December 31, 2021	11,662,766	$ **7.15**
Exercised	(180,000)	2.95
Balance at September 30, 2022	11,482,766	$ **7.22**

12. LOSS PER SHARE

Basic and diluted net loss per share attributable to the Company was calculated as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Numerator:				
Net loss	$ (38,303)	$ (44,370)	$ (120,464)	$ (92,190)
Less: Net loss attributable to non-controlling interests	(2,872)	(1,474)	(4,569)	(2,368)
Net loss attributable to shareholders	$ (35,431)	$ (42,896)	$ (115,895)	$ (89,822)
Denominator:				
Weighted average shares outstanding - basic and diluted	399,227,935	325,416,684	389,966,408	311,446,922
Loss per share - basic and diluted	$ (0.09)	$ (0.13)	$ (0.30)	$ (0.29)

Certain share-based equity awards were excluded from the computation of dilutive loss per share because inclusion of these awards would have had an anti-dilutive effect.

13. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited.

Additionally, the Company may be contingently liable with respect to other claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such other matters will not have a materially adverse effect on the Company. Accordingly, other than as delineated in Footnote 9 above, the Company has not accrued in its condensed interim consolidated financial statements any liabilities related to any pending claims or indemnification arrangements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

14. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value Measurements

The following table presents the Company's financial instruments that are measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
September 30, 2022				
Derivative liability	$ —	$ —	$ (855)	$ (855)
Contingent consideration	—	—	—	—
	$ —	$ —	$ (855)	$ (855)
December 31, 2021				
Derivative liability	$ —	$ —	$ (6,795)	$ (6,795)
Contingent consideration	—	—	(40,941)	(40,941)
	$ —	$ —	$ (47,736)	$ (47,736)

During the period included in these financial statements, there were no transfers of amounts between levels.

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 3 financial instruments:

Financial asset/financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Derivative liability	Market approach	Conversion Period	Increase or decrease in conversion period will result in an increase or decrease in fair value
Contingent Consideration	Discounted cash flow approach	Risk adjusted discount rate and forecasted EBITDA	Increase or decrease in risk adjusted discount rate and forecasted EBITDA will result in an increase or decrease in fair value

The carrying amounts of cash and restricted cash, accounts receivable, deposits and other current assets, accounts payable, accrued expenses, and other current liabilities, current portion of long-term debt and lease liability as of September 30, 2022 and December 31, 2021 approximate their fair values because of the short-term nature of these items and are not included in the table above. The Company's notes receivable, other long-term payables, long-term debt and lease liabilities approximate fair value due to the market rate of interest used on initial recognition.

In addition to the disclosures for assets and liabilities required to be measured at fair value at the balance sheet date, companies are required to disclose the estimated fair values of all financial instruments, even if they are not presented at their fair value on the consolidated balance sheet. The fair values of financial instruments are estimates based upon market conditions and perceived risks as of September 30, 2022 and December 31, 2021. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

15. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	September 30, 2022	December 31, 2021
Goodwill	$ 262,245	$ 256,346
Less: Accumulated impairment on goodwill	(72,328)	(72,328)
Total goodwill, net	189,917	184,018
Licenses	277,032	285,854
Trademarks	59,694	59,694
Customer Relationships	52,500	52,500
Total intangible assets	389,226	398,048
Less: Accumulated amortization	(63,546)	(30,261)
Total intangible assets, net	$ 325,680	$ 367,787

The amortization expense for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Amortization for the period included in selling, general and administrative expenses	$ 10,936	$ 8,899	$ 33,594	$ 14,826

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are summarized in the table below:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Salaries and benefits	$ 32,651	$ 27,518	$ 97,471	$ 76,163
Professional fees	4,580	5,666	16,254	16,731
Depreciation and amortization	14,881	11,718	44,809	22,204
Operating facilities costs	10,056	6,840	31,151	20,490
Operating office and general expenses	2,491	5,248	8,124	12,665
Advertising and promotion	3,204	4,169	11,566	10,421
Other fees and expenses	2,982	586	5,718	3,608
Total selling, general and administrative expenses	$ 70,845	$ 61,745	$ 215,093	$ 162,282

17. OTHER EXPENSE, NET

Other expense, net is summarized in the table below:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Change in fair value of the derivative liability	$ (243)	(4,847)	(5,940)	(6,760)
Acquisition and settlement of pre-existing relationships	—	75,308	—	75,308
Change in fair value of contingent consideration	(37,362)	(23,582)	(37,362)	(23,582)
Loss on disposal group	—	2,000	—	2,000
Earnout adjustment	(127)	—	349	—
Loss on conversion of Convertible Notes	—	—	—	1,580
Other expense	37,369	55	44,775	69
Rental income	(958)	—	(2,613)	—
Total other expense, net	$ (1,321)	$ 48,934	$ (791)	$ 48,615

18. SUBSEQUENT EVENT

On November 4, 2022, the Company and Cresco Labs (the "companies") announced the signing of definitive agreements to divest certain New York, Illinois, and Massachusetts assets of the combined companies to an entity owned and controlled by Sean Combs (the "Combs Transaction"). The total consideration of the Combs Transaction is an amount up to $185,000. The divestiture of these and other assets are required for Cresco Labs to close its previously announced acquisition of the Company. The Combs Transaction and Cresco Labs' acquisition of the Company are expected to close concurrently, currently anticipated around the end of the first quarter of 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Columbia Care Inc. ("Columbia Care", the "Company", "us", "our" or "we") is supplemental to, and should be read in conjunction with, Columbia Care's unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2022 and 2021. Except for historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties. Future results could differ materially from those discussed below for many reasons, including the risks described in "Disclosure Regarding Forward-Looking Statements," "Item 1A-Risk Factors" and elsewhere in the Company's 2021 Form 10-K filed with the SEC on March 31, 2022 and subsequent securities filings.

Columbia Care's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). Financial information presented in this MD&A is presented in thousands of United States dollars ("$" or "US$"), unless otherwise indicated.

OVERVIEW OF COLUMBIA CARE

Our principal business activity is the production and sale of cannabis. We strive to be the premier provider of cannabis-related products in each of the markets in which we operate. Our mission is to improve lives by providing cannabis-based health and wellness solutions through community partnerships, research, education and the responsible use of our products as a natural means to improve the quality of life of our patients and customers.

COLUMBIA CARE OBJECTIVES AND FACTORS AFFECTING OUR PERFORMANCE

As one of the largest fully integrated operators in the cannabis industry, our strategy to grow our business is comprised of the following key components:

- Expansion and development within and outside our current markets
- Patient-centric, provider-based model to leverage health and wellness focus
- Consistency of proprietary product portfolio comprised of branded consumer and patient products
- Intellectual property and data-driven innovation

Our performance and future success are dependent on several factors. These factors are also subject to inherent risks and challenges, some of which are discussed below.

Branding

We have established a national branding strategy across each of the jurisdictions in which we operate. Maintaining and growing our brand appeal is critical to our continued success.

Regulation

We are subject to the local and federal laws in the jurisdictions in which we operate. We hold all required licenses for the production and distribution of our products in the jurisdictions in which we operate and continuously monitor changes in laws, regulations, treaties and agreements. In recent years, a temporary federal legislative enactment that prohibits the Department of Justice from expending appropriated funds to enforce federal laws that interfere with a state's implementation of its own medical marijuana laws has been included in multiple Appropriations laws that have passed Congress. This budget rider is known as the Rohrbacher-Farr Amendment. The Rohrbacher-Farr Amendment has been included in successive appropriations legislation or resolutions since 2015. The Rohrabacher-Farr Amendment was extended most recently through December 16, 2022. Notably, the Rohrbacher-Farr Amendment has applied only to medical marijuana programs and has not provided the same protections to enforcement related to adult-use activities.

Product Innovation and Consumer Trends

Our business is subject to changing consumer trends and preferences, which is dependent, in part, on continued consumer interest in new products. The success of new product offerings, depends upon a number of factors, including our ability to (i) accurately anticipate customer needs; (ii) develop new products that meet these needs; (iii) successfully commercialize new products; (iv) price products competitively; (v) produce and deliver products in sufficient volumes and on a timely basis; and (vi) differentiate product offerings from those of competitors.

Growth Strategies

We have a successful history of growing revenue and we believe we have a strong strategy aimed at continuing our history of expansion in both current and new markets. Our future depends, in part, on our ability to implement our growth strategy including (i) product innovations; (ii) penetration of new markets; (iii) growth of wholesale revenue through third party retailers and distributors; (iv) future development and expansion of e-commerce and home delivery distribution capabilities; and (v) expansion of our cultivation and manufacturing capacity. Our ability to implement this growth strategy depends, among other things, on our ability to develop new products that appeal to consumers, maintain and expand brand loyalty, maintain and improve product quality and brand recognition, maintain and improve competitive position in our current markets, and identify and successfully enter and market products in new geographic areas and segments.

Recent Announcements

On November 4, 2022, the Company and Cresco Labs (the "companies") announced the signing of definitive agreements to divest certain New York, Illinois, and Massachusetts assets of the combined companies to an entity owned and controlled by Sean Combs (the "Combs Transaction"). The total consideration of the Combs Transaction is an amount up to $185,000. The divestiture of these and other assets are required for Cresco Labs to close its previously announced acquisition of the Company. The Combs Transaction and Cresco Labs' acquisition of the Company are expected to close concurrently, currently anticipated around the end of the first quarter of 2023.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information derived from our unaudited condensed interim consolidated financial statements and the respective accompanying notes prepared in accordance with U.S. GAAP.

During the periods discussed herein, our accounting policies have remained consistent. The selected and summarized consolidated financial information below may not be indicative of our future performance.

Statement of Operations:

	Three months ended				Nine months ended			
	September 30, 2022	September 30, 2021	$ Change	% Change	September 30, 2022	September 30, 2021	$ Change	% Change
Revenues, net	$ 132,733	$ 132,322	$ 411	0 %	$ 385,391	$ 320,804	$ 64,587	20 %
Cost of sales related to inventory production	(80,462)	(69,525)	(10,937)	16 %	(225,645)	(181,120)	(44,525)	25 %
Cost of sales related to business combination fair value adjustments to inventories	(136)	(1,430)	1,294	(90 %)	(136)	(2,922)	2,786	(95 %)
Gross profit	52,135	61,367	(9,232)	(15 %)	159,610	136,762	22,848	17 %
Selling, general and administrative expenses	(70,845)	(61,745)	(9,100)	15 %	(215,093)	(162,282)	(52,811)	33 %
Loss from operations	(18,710)	(378)	(18,332)	4850 %	(55,483)	(25,520)	(29,963)	117 %
Other expense/ (income), net	(13,018)	(56,991)	43,973	(77 %)	(39,072)	(67,301)	28,229	(42 %)
Income tax benefit (expense)	(6,575)	12,999	(19,574)	(151 %)	(25,909)	631	(26,540)	(4,206 %)
Net loss	(38,303)	(44,370)	6,067	(14 %)	(120,464)	(92,190)	(28,274)	31 %
Net loss attributable to non-controlling interest	(2,872)	(1,474)	(1,398)	95 %	(4,569)	(2,368)	(2,201)	93 %
Net loss attributable to Columbia Care Inc.	$ (35,431)	$ (42,896)	$ 7,465	-17 %	$ (115,895)	$ (89,822)	$ (26,073)	29 %
Loss per share attributable to Columbia Care Inc. - based and diluted	(0.09)	$ (0.13)	0.04	(33 %)	$ (0.30)	$ (0.29)	$ (0.01)	3 %
Weighted average number of shares outstanding - basic and diluted	399,227,935	325,416,684			389,966,408	311,446,922		

Summary of Balance Sheet items:

	September 30, 2022	December 31, 2021
Total Assets	$ 1,371,578	$ 1,376,512
Total Liabilities	$ 870,701	$ 825,689
Total Long-Term Liabilities	$ 692,686	$ 581,692
Total Equity	$ 500,877	$ 550,823

RESULTS OF OPERATIONS

Comparison of the three and nine months ended September 30, 2022 and 2021

The following tables summarizes our results of operations for the three months ended September 30, 2022 and 2021:

	Three Months Ended			
	September 30, 2022	September 30, 2021	$ Change	% Change
Revenue	$ 132,733	$ 132,322	$ 411	0%
Cost of sales related to inventory production	(80,462)	(69,525)	(10,937)	16%
Cost of sales related to business combination fair value adjustments to inventory	(136)	(1,430)	1,294	(90%)
Gross profit	52,135	61,367	(9,232)	(15%)
Operating expenses	(70,845)	(61,745)	(9,100)	15%
Loss from operations	(18,710)	(378)	(18,332)	4,850%
Other expense/ (income), net	(13,018)	(56,991)	43,973	(77%)
Loss before provision for income taxes	(31,728)	(57,369)	25,641	(45%)
Income tax benefit (expense)	(6,575)	12,999	(19,574)	(151%)
Net loss	(38,303)	(44,370)	6,067	(14%)
Net loss attributable to non-controlling interests	(2,872)	(1,474)	(1,398)	95%
Net loss attributable to Columbia Care Inc.	$ (35,431)	$ (42,896)	$ 7,465	(17%)

Revenues

The increase in revenue of $411 for the three months ended September 30, 2022, as compared to the prior year period, was driven by the expansion of new wholesale and retail facilities which contributed to a revenue growth of $4,341 as compared to the prior period and our acquisition of Medicine Man which contributed an additional $7,454 of revenue during the three months ended September 30, 2022, as compared to the prior period. This was offset by a net decline in revenue of $11,384 in our Legacy Columbia Care network, our 2020 acquisitions of The Green Solution and Project Cannabis, and our 2021 acquisitions of The Healing Center, Corsa Verde, Cannascend and gLeaf.

Cost of Sales

The increase in cost of sales of $9,643 for the three months ended September 30, 2022, as compared to the prior year period, was driven by a cost of sales increase of $3,449 in our Legacy Columbia Care network, our 2020 acquisitions of The Green Solution and Project Cannabis, and our 2021 acquisitions of The Healing Center, Corsa Verde, Cannascend and gLeaf. The expansion of new wholesale and retail facilities contributed to a cost of sales growth of $1,066 as compared to the prior period and our acquisition of Medicine Man contributed to an additional $5,128 of cost of sales during the three months ended September 30, 2022, as compared to the prior period.

Gross Profit

The decrease in gross profit of $9,232 for the three months ended September 30, 2022, as compared to the prior year period, was primarily driven by a gross profit decrease of $12,480 in our Legacy Columbia Care network, our 2020 acquisitions of The Green Solution and Project Cannabis, and our 2021 acquisitions of The Healing Center, Corsa Verde, Cannascend and gLeaf. This was offset by an expansion of new wholesale and retail facilities contributing gross profit growth of $923 as compared to the prior period and our acquisition of Medicine Man that contributed an additional $2,325 of gross profit during the three months ended September 30, 2022, as compared to the prior period.

Operating Expenses

The increase of $9,100 in operating expenses for the three months ended September 30, 2022, as compared to the prior year period, was primarily attributable to an increase in salary and benefits expenses of $5,133, depreciation and amortization of $3,163, operating facility costs of $3,216, and other fees and expenses of $1,431. This was offset by a decrease in operating office and general expenses of $2,757 and a decrease in professional fees of $1,086 as we managed expenses in the size and scope of our administrative functions.

Other Expense, Net

The decrease in other expense, net of $43,973 for the three months ended September 30, 2022, as compared to the prior year period, was primarily due to a decrease in acquisition cost of $75,308 and loss on disposal of assets of $2,000. This was partially offset by an increase in interest expense of $6,282, change in fair valuation of the derivative liability of $4,604, a decrease in income due to change in fair value of contingent consideration of $13,780, and an increase in rental income of $958.

Provisions for Income Taxes

The Company recorded income tax expense of $6,575 for the three months ended September 30, 2022, as compared to an income tax benefit of $12,999 for the three months ended September 30, 2021.

The following tables summarizes our results of operations for the nine months ended September 30, 2022 and 2021:

	Nine months ended			
	September 30, 2022	September 30, 2021	$ Change	% Change
Revenue	$ 385,391	$ 320,804	$ 64,587	20 %
Cost of sales related to inventory production	(225,645)	(181,120)	(44,525)	25 %
Cost of sales related to business combination fair value adjustments to inventory	(136)	(2,922)	2,786	(95 %)
Gross profit	159,610	136,762	22,848	17 %
Operating expenses	(215,093)	(162,282)	(52,811)	33 %
Loss from operations	(55,483)	(25,520)	(29,963)	117 %
Other expense/ (income), net	(39,072)	(67,301)	28,229	(42 %)
Loss before provision for income taxes	(94,555)	(92,821)	(1,734)	2 %
Income tax benefit (expense)	(25,909)	631	(26,540)	(4,206 %)
Net loss	(120,464)	(92,190)	(28,274)	31 %
Net loss attributable to non-controlling interests	(4,569)	(2,368)	(2,201)	93 %
Net loss attributable to Columbia Care Inc.	$ (115,895)	$ (89,822)	$ (26,073)	29 %

Revenues

The increase in revenue of $64,587 for the nine months ended September 30, 2022, as compared to the prior year period, was driven by the expansion of new wholesale and retail facilities which contributed to a revenue growth of $6,073 as compared to the prior period and our acquisitions of Cannascend, gLeaf, and Medicine Man which contributed to an additional $71,485 of revenue during the nine months ended September 30, 2022, as compared to the prior period. This was offset by a decline of $12,971 in our Legacy Columbia Care network, our 2020 acquisitions of The Green Solution and Project Cannabis and our 2021 acquisitions of The Healing Center and Corsa Verde.

Cost of Sales

The increase in cost of sales of $41,739 for the nine months ended September 30, 2022, as compared to the prior year period, was primarily driven by a cost of sales decrease of $6,515 in our Legacy Columbia Care network, our 2020 acquisitions of The Green Solution and Project Cannabis and our 2021 acquisitions of The Healing Center and Corsa Verde. New wholesale and retail facilities contributed to a cost of sales growth of $5,156 as compared to the prior period. Our acquisitions of Cannascend, gLeaf, and Medicine Man contributed to an additional $43,098 of cost of sales during the nine months ended September 30, 2022, as compared to the prior period.

Gross Profit

The increase in gross profit of $22,848 for the nine months ended September 30, 2022, as compared to the prior year period was primarily driven by a gross profit decrease of $6,456 in our Legacy Columbia Care network, our 2020 acquisitions of The Green Solution and Project Cannabis and our 2021 acquisitions of The Healing Center and Corsa Verde. Our new wholesale and retail facilities contributed to a gross profit growth of $917 as compared to the prior period. Our acquisitions of Cannascend, gLeaf, and Medicine Man contributed to an additional $28,387 of gross profit during the nine months ended September 30, 2022, as compared to the prior period.

Operating Expenses

The increase of $52,811 in operating expenses for the nine months ended September 30, 2022, as compared to the prior year period, was primarily attributable to an increase in salary and benefits expenses of $21,308, depreciation and amortization of $22,605, operating facility costs of $10,661, and other fees and expenses of $3,255. This was primarily offset by a decrease in operating office and general expenses of $4,541 and professional fees of $477 as we limited further expansion in the size and scope of our administrative functions.

Other Expense, Net

The decrease in other expense, net of $28,229 for the nine months ended September 30, 2022, as compared to the prior year period, was primarily due to a decrease in acquisition cost of $75,308. This was partially offset by an increase in interest expense of $21,177 and a decrease in income due to change in fair value of contingent consideration of $13,780.

Provisions for Income Taxes

The Company recorded income tax expense of $25,909 for the nine months ended September 30, 2022, as compared to an income tax benefit of $631 for the nine months ended September 30, 2021.

The Company recorded a Deferred Tax Asset of $17,900 related to its acquisition of VentureForth LLC, which occurred during 2022. The consideration paid to acquire 100% of the VentureForth Holdings LLC partnership interests was expensed for book purposes. For tax purposes, such consideration is capitalized as the transaction is treated as a deemed asset purchase for tax purposes. Such treatment results in a Deferred Tax Asset. However, because of the limitations of Section 280E of the Internal Revenue Code, the company does not expect to recognize any tax benefit for this specific deferred tax asset.

Non-GAAP Measures

We use certain non-GAAP measures, referenced in this MD&A. These measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation from nor as a substitute for our financial information reported under GAAP. We use non-GAAP measures including EBITDA, Adjusted EBITDA and Adjusted EBITDA margin which may be calculated differently by other companies. These non-GAAP measures and metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on GAAP measures. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented. We also recognize that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of companies within our industry. Finally, we use non-GAAP measures and metrics in order to facilitate evaluation of operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation.

The following table provides a reconciliation of net loss for the period to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021:

	Three months ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net loss	$ (38,303)	$ (44,370)	$ (120,464)	$ (92,190)
Income tax	6,575	(12,999)	25,909	(631)
Depreciation and amortization	$ 21,808	16,076	63,077	33,801
Interest expense, net and debt amortization	14,339	8,057	38,507	18,686
EBITDA (non-GAAP measure)	$ 4,419	$ (33,236)	$ 7,029	$ (40,334)
Adjustments:				
Share-based compensation	6,597	4,695	20,649	18,029
Fair value mark-up for acquired inventory	136	1,430	136	2,922
Adjustments for acquisition and other non-core costs*	10,084	3,009	28,097	8,102
Fair-value changes on derivative liabilities	(243)	(4,847)	(5,940)	(6,760)
Impairment of disposal group	—	2,000	—	2,000
Loss on conversion of Convertible Notes	—	—	—	1,580
Gain on remeasurement of contingent consideration, net of reclassification and general accrual	—	(23,582)	—	(23,582)
Acquisition and settlement of pre-existing relationships	—	75,308	—	75,308
Adjusted EBITDA (non-GAAP measure)	$ 20,993	$ 24,777	$ 49,971	$ 37,265

*Acquisition and other non-core costs include costs associated with acquisitions, litigation expense and COVID -19 expenses.

Revenues	$ 132,733	$ 132,322	$ 385,391	$ 320,804
Adjusted EBITDA (non-GAAP measure)	$ 20,993	$ 24,777	$ 49,971	$ 37,265
Adjusted EBITDA margin (non-GAAP measure)	15.8 %	18.7 %	13.0 %	11.6 %
Revenues	$ 132,733	$ 132,322	$ 385,391	$ 320,804
Gross profit	$ 52,135	$ 61,367	$ 159,610	$ 136,762
Gross margin	39.3 %	46.4 %	41.4 %	42.6 %

*Acquisition and other non-core costs include costs associated with acquisitions, litigation expenses and COVID-19 expenses.

Adjusted EBITDA

The decrease in Adjusted EBITDA for the three months ended September 30, 2022, as compared to the prior year period, was primarily driven by lower gross margins. The increase in Adjusted EBITDA for the nine months ended September 30, 2022, as compared to the prior year period, was primarily driven by leveraging operating expenses over a larger revenue base, despite a slight decrease in gross margin.

Liquidity and Capital Resources

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures and for general corporate purposes. Historically, we have relied on external financing as our primary source of liquidity. Our ability to fund our operations and to make capital expenditures depends on our ability to successfully secure financing through issuance of debt or equity, as well as our ability to improve our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

We are currently meeting our obligations as they become due and are earning revenues from our operations. However, we have sustained losses since inception and may require additional capital in the future. We estimate that based on our current business operations and working capital, we will continue to meet our obligations as they become due in the short term. As we continue to seek growth through expansion or acquisition, our cash flow requirements and obligations could materially change. As of September 30, 2022, we did not have any significant external capital requirements.

Recent Financing Transactions

Private Placement

On February 3, 2022, we closed a private placement of $185,000 aggregate principal amount of 9.50% senior-secured first-lien notes due 2026 (the “2026 Notes”). The 2026 Notes are senior secured obligations of the Company and were issued at 100.0% of face value. In connection with the offering of the 2026 Notes, the Company received binding commitments to exchange approximately $31,750 of the Company’s existing 13.0% Term Debt, pursuant to private agreements in accordance with the trust indenture, for an equivalent amount of 2026 Notes plus accrued but unpaid interest and any negotiated premium thereon. As a result of the note exchanges, the Company received aggregate gross proceeds of $153,250 in cash pursuant to the offering of the 2026 Notes.

Cash Flows

The following table summarizes the sources and uses of cash for each of the periods presented:

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Net cash used in operating activities	$ (116,553)	$ (2,967)
Net cash used in investing activities	(71,958)	(135,913)
Net cash provided by financing activities	157,336	184,177
Net increase (decrease) in cash and cash equivalents	$ (31,175)	$ 45,297

Operating Activities

During the nine months ended September 30, 2022, operating activities used $116,553 of cash, primarily resulting from a net loss of $120,464, net changes in operating assets and liabilities of $44,113, and a gain on remeasurement of contingent consideration of $37,362; this was partially offset by depreciation and amortization of $63,077, equity-based compensation expense of $20,649, and debt amortization expense of $6,278. The net change in operating assets and liabilities was primarily due to an increase in inventory of $40,346, an increase in income tax payable of $20,636, and a decrease in accounts payable of $8,821.

During the nine months ended September 30, 2021, operating activities used $2,967 of cash, primarily resulting from a net loss of $92,190 that was partially offset by depreciation and amortization of $33,801, and equity-based compensation expense of 18,029; this was partially offset by gain on remeasurement of contingent consideration of $23,582, deferred tax of $16,739, and decrease in value of inventory by $14,763.

Investing Activities

During the nine months ended September 30, 2022, investing activities used $71,958 of cash pursuant to purchases of property and equipment of $69,362 and cash paid on deposits of $2,973. This was partially offset by proceeds from the sale of property and equipment of $358.

During the nine months ended September 30, 2021, investing activities used $135,913 of cash primarily for purchases of property and equipment of $72,323, business acquisitions of $44,268 and cash paid for other assets $15,770.

Financing Activities

During the nine months ended September 30, 2022, financing activities provided $157,336 of cash, mainly due to $153,250 in net proceeds received from the issuance of debt and the issuance of a mortgage of $16,500; this was partially offset by a debt issuance cost of $7,699 and lease liability payments of $2,965.

During the nine months ended September 30, 2021, financing activities provided $184,177 of cash primarily from proceeds from the issuance of equity of $133,559 and issuance of debt of $71,520; this was partially offset by repayment of debt of $9,550, taxes paid on equity-based compensation of $4,791 and payment of lease liabilities of $7,844.

Contractual Obligations and Commitments

The following table summarizes contractual obligations as of September 30, 2022 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period						
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and beyond
Lease commitments	$ 465,320	$ 7,688	$ 36,609	$ 35,367	$ 31,504	$ 28,894	$ 325,258
Sale-Leaseback commitments	210,115	9,689	10,002	10,325	10,658	11,003	158,438
2026 Notes	185,000	-	-	-	185,000	-	-
Term debt (principal)	38,215	38,215	-	-	-	-	-
Acquisition related term debt	3,239	103	108	112	117	121	2,678
Interest on term debts and notes	63,324	20,765	17,698	17,694	6,134	108	925
Convertible debt (principal)	80,100	-	5,600	74,500	-	-	-
Interest on convertible debt	12,600	4,750	4,531	3,319	-	-	-
Mortgage notes (principal)	36,118	617	660	728	794	33,319	-
Mortgage notes (interest)	13,615	3,076	3,042	2,974	2,908	1,615	-
Closing promissory note (principal)	3,375	1,125	1,500	750	-	-	-
Closing promissory note (interest)	338	180	135	23	-	-	-
Acquisition related real estate notes (principal)	7,000	2,000	5,000	-	-	-	-
Acquisition related real estate notes (interest)	705	480	225	-	-	-	-
Total contractual obligations	$ 1,119,064	$ 88,688	$ 85,110	$ 145,792	$ 237,115	$ 75,060	$ 487,299

The above table excludes purchase orders for inventory in the normal course of business.

Effects of Inflation

Rising inflation rates have had a substantial impact on our financial performance to date and may have an impact on our financial performance in the future as our ability to pass on an increase in costs is not entirely within our control.

Critical Accounting Estimates

We make judgements, estimates and assumptions about the future that affect assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The preparation of our unaudited condensed interim consolidated financial statements requires us to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Judgements estimates and assumptions with the most significant effect on the amounts recognized in the consolidated financial statements are described below.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, deposits and other current assets, accounts payable, accrued expenses, current taxes payable and other current liabilities like interest payable and payroll liabilities, derivative liability, debt and lease liabilities. The fair values of cash and restricted cash, accounts and notes receivable, deposits, accounts payable and accrued expenses and other current liabilities like interest payable and payroll liabilities, short-term debt and lease liabilities approximate their carrying values due to the relatively short-term to maturity or because of the market rate of interest used on initial recognition. Columbia Care classifies its derivative liability as fair value through profit and loss (FVTPL).

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of fair value contained within the hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Our assets measured at fair value on a nonrecurring basis include investments, assets and liabilities held for sale, long-lived assets and indefinite-lived intangible assets. We review the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually, for indefinite-lived intangible assets. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered Level 3 measurements.

Financial Risk Management

We are exposed in varying degrees to a variety of financial instrument related risks. Our risk exposures and the impact on our financial instruments is summarized below:

Credit Risk

Credit risk is the risk of a potential loss to us if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2022 and December 31, 2021, is the carrying amount of cash and cash equivalents, subscription receivable, accounts receivable and notes receivable. We do not have significant credit risk with respect to our customers. All cash deposits are with regulated U.S. financial institutions.

We provide credit to our customers in the normal course of business and have established credit evaluation and monitoring processes to mitigate credit risk but have limited risk as the majority of our sales are transacted with cash. Through our Columbia Care National Credit program, we provide credit to customers in certain markets in which we operate.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Our approach to managing liquidity is to estimate cash requirements from operations, capital expenditures and investments and ensure that we have sufficient liquidity to fund our ongoing operations and to settle obligations and liabilities when due.

To date, we have incurred significant cumulative net losses and we have not generated positive cash flows from our operations. We have therefore depended on financing from sale of our equity and from debt financing to fund our operations. Overall, we do not expect the net cash contribution from our operations and investments to be positive in the near term, and we therefore expect to rely on financing from equity or debt.

Market Risk

In addition to business opportunities and challenges applicable to any business operating in a fast-growing environment, our business operates in a highly regulated and multi-jurisdictional industry, which is subject to potentially significant changes outside of our control as individual states as well as the U.S. federal government may impose restrictions on our ability to grow our business profitably or enact new laws and regulations that open up new markets.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instrument will fluctuate because of changes in market interest rates. Our cash deposits bear interest at market rates.

Currency Risk

Our operating results and financial position are reported in thousands of U.S. dollars. We may enter into financial transactions denominated in other currencies, which would result in Columbia Care's operations and financial position to be subject to currency transaction and translation risks.

As of September 30, 2022 and December 31, 2021, we had no hedging agreements in place with respect to foreign exchange rates. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. We are subject to the risk of price variability pursuant to our products due to competitive or regulatory pressures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant material changes to the market risks as disclosed in the Company's 2021 Form 10-K.

Item 4. Controls and Procedures.

Background

As previously reported in the Company's 2021 Form 10-K, our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting, specifically relating to the lack of appropriate controls over management's fair value modeling of complex accounting and financial reporting issues in the impairment testing of goodwill and intangible assets.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

In response to the material weakness described above, the Company implemented a remediation plan to address the material weakness. These remediation efforts, outlined below, were intended both to address the identified material weaknesses and to enhance the Company's overall financial control environment. The Company, including its CEO and CFO, does not expect that its internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Following the year ended December 31, 2021, the Company implemented a new control, whereby the Company has utilized a new third party specializing in fair value modeling who will review and analyze, at the corporate level, potential impairment testing of goodwill and intangible assets on an annual basis or as necessary.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

A discussion of our litigation matters occurring in the period covered by this report is found in Reference to Part I, Item 1, Note 13, Commitments and Contingencies, and Note 5, Acquisitions in the Notes to Unaudited Interim Consolidated Financial Statements of this Form 10-Q.

Item 1A. Risk Factors

As of the date of this filing, except as noted below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of the Company's 2021 Form 10-K, except as disclosed in Item 1A of our registration statement on Form 10, filed on May 9, 2022, which is incorporated by reference herein.

The Company may become party to litigation from time to time.
Columbia Care is, may become, a party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Columbia Care is or becomes involved be determined against Columbia Care, such a decision could adversely affect Columbia Care's ability to continue operating and the market price for the Common Shares and other listed securities of Columbia Care. Even if Columbia Care is involved in litigation and wins, litigation can redirect significant company resources. Litigation may also create a negative perception of Columbia Care's brand. As noted in Note 5, Acquisitions in the Notes to Unaudited Interim Consolidated Financial Statements of this Form 10-Q, as a result of the differing conclusions related to the First Milestone and indemnification claims stemming from the gLeaf Agreement, there is an increased litigation risk.

Item 2. Unregistered Sales of Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibit Index

Exhibit Number	Description
2.1	Arrangement Agreement, dated March 23, 2022, between Cresco Labs Inc. and Columbia Care Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on March 29, 2022)
3.1	Articles of Columbia Care Inc. (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.1	Warrant Agency Agreement dated September 20, 2018 between Canaccord Genuity Growth Corp. and Odyssey Trust Company (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.2	Warrant Agreement dated April 26, 2019 between Columbia Care Inc. and Canaccord Genuity Corp. (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.3	Trust Indenture made as of March 31, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.4	Warrant Indenture dated March 31, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.5	Trust Indenture made as of May 14, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.6	Warrant Indenture dated May 14, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.6 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.7	First Supplemental Indentures dated as of June 19, 2020 between Columbia Care Inc and Odyssey Trust Company (incorporated by reference to Exhibit 4.7 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.8	Warrant Indenture dated July 2, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.9	Warrant Indenture dated October 29, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.9 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.10	Second Supplemental Indenture dated June 29, 2021 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.10 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on January 28, 2022)
4.11	Third Supplemental Indenture dated February 2, 2022 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.11 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on February 15, 2022)
4.12	Fourth Supplemental Indenture dated February 3, 2022 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.12 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on February 15, 2022)
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1‡	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2‡	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document

104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

‡ Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

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.

COLUMBIA CARE INC

Date: November 14, 2022	By: /s/ Nicholas Vita **Nicholas Vita** **Chief Executive Officer and Director**
Date: November 14, 2022	By: /s/ Derek Watson **Derek Watson** **Chief Financial Officer**