MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Amounts in thousands, except for gram, share and per share amounts)

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 condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2020 and 2019. Columbia Care’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Financial information presented in this MD&A is presented in thousands of United States dollars (“$” or “US$”), unless otherwise indicated.

This MD&A has been prepared as of November 11, 2020 by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including “EBITDA” and “Adjusted EBITDA” which may be calculated differently by other companies. These non-IFRS 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 IFRS measures. We also recognize that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies within our industry. Finally, we also use non-IFRS 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.

For a discussion of the use of “EBITDA” and “Adjusted EBITDA” and reconciliations thereof to the most directly comparable IFRS measures, see “*Reconciliation of Non-IFRS Measures.*”

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information. This information may relate to anticipated events or results. Particularly, statements regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as “may” “will”, “expect”, “believe”, “estimate”, “plan”, “could”, “should”, “would”, “outlook”, “forecast”, “anticipate”, “foresee”, “continue” or the negative of these terms or variations of them or similar terminology. This information is based on management’s reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A.

We do not undertake to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in “Risk Factors”. Additional risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including the Company’s annual information form (the “AIF”) dated March 31, 2020, a copy of which is available under the Company’s profile on SEDAR at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See “Risk Factors” in the AIF for a discussion of the uncertainties, risks and assumptions associated with these statements.

The purpose of the forward-looking statements is to provide the reader with a description of management’s current expectations regarding the Company’s financial performance and they may not be appropriate for other purposes. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW OF COLUMBIA CARE

The Company's common shares are listed on the Aequitas NEO Exchange under the symbol "CCHW", on the Canadian Securities Exchange under the symbol "CCHW", on the OTCQX Best Market under the symbol "CCHWF" and on the Frankfurt Stock Exchange under the symbol "3LP". The Company's principal business activity is the production and sale of cannabis as regulated by the regulatory bodies and authorities of the jurisdictions in which we operate.

Columbia Care is comprised of the following companies: Columbia Care Inc., Columbia Care LLC, TGS Global, LLC, Columbia Care NY LLC, Curative Health LLC, Curative Health Cultivation LLC, Salubrious Wellness Clinic, Inc., Columbia Care – Arizona, Tempe, L.L.C., 203 Organix, LLC, Columbia Care – Arizona, Prescott, L.L.C., Patriot Care Corp., Columbia Care DC LLC, Mission Bay, LLC, Focused Health LLC, Columbia Care Delaware, LLC, Columbia Care Puerto Rico LLC, Columbia Care Pennsylvania LLC, Columbia Care OH LLC, Columbia Care MD LLC, Better-Gro Companies, L.L.C. d/b/a Columbia Care Florida, Columbia Care New Jersey LLC, Columbia Care Industrial Hemp LLC, Columbia Care Eastern Virginia LLC, VentureForth, LLC, Oveom, LLC, CCUT Pharmacy, LLC, Columbia Care Adopt-A-Family Corp., Columbia Care International Holdco LLC, Columbia Care UK Limited, Columbia Care Deutschland GmbH and Leafy Greens.

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 alleviate symptoms and improve the quality of life of our patients and customers.

HOW WE ASSESS OUR BUSINESS

We utilize several metrics to measure and track the performance and progress of our business. We refer to certain key performance indicators used by us and also generally used by our competitors in the global cannabis industry. Some of the metrics used by us are not defined under IFRS. See *Reconciliation of Non-IFRS Measures*.

Revenue

In accordance with IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which Columbia Care expects to be entitled to receive in exchange for these goods or services. Columbia Care applies the following five-step analysis to determine whether, how much and when revenue is recognized: (1) Identify the contract with the customer; (2) Identify the performance obligation in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligation in the contract; and (5) Recognize revenue when or as Columbia Care satisfies a performance obligation.

Under IFRS 15, revenue from the sale of medicinal cannabis and derivative products is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is generally due prior to transfer of the goods and is recognized as revenue upon the satisfaction of the performance obligation. Columbia Care satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with Columbia Care's previous revenue recognition policy. In instances where customers pay an annual membership fee, the customer will generally receive the benefit of the membership evenly over the period and as a result, Columbia Care will recognize revenue using an output method measure of progress on a straight-line basis over the membership period.

Gross Profit before Fair Value Adjustments to Biological Assets and Inventory

Gross Profit before Fair Value Adjustments to Biological Assets and Inventory reflects our revenue less our production costs primarily consisting of labor, materials, rent and facilities, supplies, overhead, depreciation expense for production equipment, shipping, packaging and other expenses required to grow and manufacture cannabis products.

Gross Profit after Fair Value Adjustments to Biological Assets and Inventory

Production costs related to the transformation of biological assets to the point of harvest are capitalized and included in the fair value measurement of the biological assets. Once goods are sold, the associated capitalized costs are recognized as production costs in the statement of operations for the period.

Gross Profit after Fair Value Adjustments to Biological Assets and Inventory is based on Gross Profit before Fair Value Adjustments to Biological Assets and Inventory and includes: (i) fair value adjustments to our biological assets, consisting of cannabis plants measured at fair value less cost to sell up to the point of harvest and (ii) fair value adjustments relieved from inventory when sold. Harvested cannabis is transferred from biological assets at their fair value less cost to sell at harvest, which becomes the deemed cost for inventory which, upon sale, the fair value cost adjustment portion is expensed to finished harvest inventory sold.

As discussed in the notes to our financial statements, there is no active market for unharvested plants in certain states, and determination of the fair value of the biological assets requires us to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to estimating the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices and expected yields for the plants. See *Critical Accounting Estimate – Biological Assets*.

Operating Expenses

Operating expenses primarily include share-based compensation, salaries and benefits, professional fees, rent and facilities expenses, depreciation and amortization, advertising and promotion expenses, licenses, fees and taxes, pursuit expenses and other general and administrative expenses.

EBITDA

We believe EBITDA is a useful measure to assess the performance of Columbia Care as it provides meaningful operating results by excluding the effects of expenses that are not reflective of our operating business performance. We define EBITDA as net income (loss) before (i) depreciation and amortization; (ii) income taxes; and (iii) interest expense and debt amortization. See *Reconciliation of Non-IFRS Measures*.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure to assess the performance of Columbia Care as it provides more meaningful operating results by excluding the effects of certain expenses that are not reflective of our operating business performance and other one-time or non-recurring expenses. We define Adjusted EBITDA as EBITDA before (i) fair value gains or losses arising from biological assets and derivative liabilities; (ii) share-based compensation expense; and (iii) acquisition and non-recurring items deemed unrelated to current operations. See *Reconciliation of Non-IFRS Measures*.

COLUMBIA CARE OBJECTIVES AND FACTORS AFFECTING OUR PERFORMANCE

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

- Expansion and development within and outside our current markets
- Customer-centric, provider-based model to leverage health and wellness focus
- Proprietary product portfolio
- 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.

In general, our future financial results are subject to significant potential fluctuations caused by, among other things, fair value adjustments to biological assets and inventory sold, growth of sales volume in new and existing markets and our ability to control operating expenses. In addition, our financial results may be impacted significantly by changes to the regulatory environment in which we operate, both on a local, state and federal level.

Introduction of rules related to the current COVID-19 pandemic may restrict our ability to operate. Imposition of such rules in any of our markets, other disruptions to our markets caused by the COVID-19 pandemic, or our inability to maintain sufficient staffing levels due to COVID-19, may have a material impact on our sales, financial position and cash reserves.

Branding

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

Regulation

We are subject to the local and federal laws in the jurisdictions in which we operate. Outside of the United States, our products may be subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods. 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.

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 domestic and international 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 into new markets; (iii) growth in pharmaceutical and distributor partnerships; (iv) future development of e-commerce distribution capabilities; and (v) improvements in operating income, gross profit and operating expense margins. 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 pharmaceutical quality products and brand recognition, maintain and improve competitive position in the markets, and identify and successfully enter and market products in new geographic areas and segments.

RECENT DEVELOPMENTS

Below is a summary of recent developments:

- In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak of this contagious disease, along with the related adverse public health developments, have negatively affected workforces, economies, and financial markets on a global scale. Although our medical dispensaries may be considered essential services and therefore may be allowed to remain operational, our adult-use operations may not be allowed to remain open during the COVID-19 crisis. During the first half of 2020, our operations in Massachusetts were affected by temporary shutdown of adult-use operations and in Illinois and California by rules related to social distancing and limiting the Company's retail operations to curb-side pick-up. Our operating results were not materially impacted during the three months ended September 30, 2020. Currently, we are closely monitoring the impact of the pandemic on all aspects of its business and it is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations.

- In July 2020, we closed on sale leaseback transaction in which 2 properties located in New Jersey sold for $12,385, which was approximately the cost of the properties.

- In September 2020, we completed our acquisition of The Green Solution ("TGS"), the largest vertically integrated cannabis operator in Colorado. TGS fully integrated portfolio includes 23 dispensaries and six cultivation and manufacturing facilities.

- In September 2020, we signed a definitive purchase agreement to purchase Project Cannabis, a cannabis company based in Los Angeles, California.
- In October 2020, we issued 20,000 units (the "October Units") under our senior secured indenture via a private placement for aggregate gross proceeds of approximately $20,400. Each October Unit is comprised of (i) $1,000 principal amount of 13.00% Notes and (ii) 60 common share purchase warrants with an exercise price of $5.84 (Canadian Dollars).

SELECTED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information derived from our audited consolidated financial statements, the consolidated financial statements, and the respective accompanying notes prepared in accordance with IFRS.

During the periods discussed herein, we have not made business acquisitions or discontinued operations, and 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, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Revenues, net	$ 48,703	$ 22,120	$ 103,439	$ 54,287
Production costs	(31,472)	(16,830)	(68,035)	(39,167)
Gross profit excluding change in fair value of biological assets and inventory sold	17,231	5,290	35,404	15,120
Decrease in fair value of inventory sold	(22,239)	(21,992)	(60,328)	(45,221)
Increase in fair value of biological assets	34,299	32,381	72,625	48,811
Gross profit	29,291	15,679	47,701	18,710
Operating expenses	(33,648)	(33,819)	(94,796)	(95,013)
Other expense, net	(6,864)	(458)	(11,477)	(176)
Income tax expense	(315)	(1,264)	(949)	(2,233)
Net loss	(11,536)	(19,862)	(59,521)	(78,712)
Net loss attributable to non-controlling interest	(681)	(1,599)	(4,422)	(1,947)
Net loss attributable to Columbia Care Inc.	$ (10,855)	$ (18,263)	$ (55,099)	$ (76,765)
Loss per share attributable to Columbia Care Inc. - based and diluted	$ (0.05)	$ (0.08)	$ (0.25)	$ (0.37)

Summary of balance sheet items:

	September 30, 2020	**December 31, 2019**
Total Assets	$ 741,428	$ 402,276
Total Liabilities	$ 394,619	$ 135,344
Total Long-Term Liabilities	$ 302,954	$ 99,942
Total Equity	$ 346,809	$ 266,932

RESULTS OF OPERATIONS

Comparison of the Three and Nine Months Ended September 30, 2020 and 2019

The following tables summarize our results of operations for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended			
	September 30, 2020	September 30, 2019	$ Change	% Change
Revenues, net	$ 48,703	$ 22,120	$ 26,583	120%
Cost of sales related to inventory production	(29,707)	(16,830)	(12,877)	77%
Cost of sales related to business combination fair value adjustments to inventories	(1,765)	—	(1,765)	100%
Gross profit excluding change in fair value of biological assets and inventory sold	17,231	5,290	11,941	226%
Decrease in fair value of inventory sold	(22,239)	(21,992)	(247)	1%
Increase in fair value of biological assets	34,299	32,381	1,918	6%
Gross profit	29,291	15,679	13,612	87%
Selling, general and administrative	(26,430)	(20,669)	(5,761)	28%
Share-based compensation	(7,218)	(13,150)	5,932	-45%
Operating expenses	(33,648)	(33,819)	171	-1%
Loss from operations	(4,357)	(18,140)	13,783	-76%
Other expense, net	(6,864)	(458)	(6,406)	1399%
Loss before provision for income taxes	(11,221)	(18,598)	7,377	-40%
Income tax expense	(315)	(1,264)	949	-75%
Net loss	(11,536)	(19,862)	8,326	-42%
Net loss attributable to non-controlling interest	(681)	(1,599)	918	-57%
Net loss attributable to Columbia Care Inc.	$ (10,855)	$ (18,263)	$ 7,408	-41%

	Nine Months Ended			
	September 30, 2020	September 30, 2019	$ Change	% Change
Revenues, net	$ 103,439	$ 54,287	$ 49,152	91%
Cost of sales related to inventory production	(66,270)	(39,167)	(27,103)	69%
Cost of sales related to business combination fair value adjustments to inventories	(1,765)	—	(1,765)	100%
Gross profit excluding change in fair value of biological assets and inventory sold	35,404	15,120	20,284	134%
Decrease in fair value of inventory sold	(60,328)	(45,221)	(15,107)	33%
Increase in fair value of biological assets	72,625	48,811	23,814	49%
Gross profit	47,701	18,710	28,991	155%
Selling, general and administrative	72,455	59,403	13,052	22%
Share-based compensation	22,341	24,539	(2,198)	-9%
Listing fee expense	—	11,071	(11,071)	-100%
Operating expenses	(94,796)	(95,013)	217	0%
Loss from operations	(47,095)	(76,303)	29,208	-38%
Other expense, net	(11,477)	(176)	(11,301)	6421%
Loss before provision for income taxes	(58,572)	(76,479)	17,907	-23%
Income tax expense	(949)	(2,233)	1,284	-58%
Net loss	(59,521)	(78,712)	19,191	-24%
Net loss attributable to non-controlling interest	(4,422)	(1,947)	(2,475)	127%
Net loss attributable to Columbia Care Inc.	$ (55,099)	$ (76,765)	$ 21,666	-28%

Revenue

The increase in revenue for the three and nine months ended September 30, 2020, as compared to the prior year periods was primarily driven by our acquisition of TGS and expansion of our dispensary network and by additional sales through our existing dispensaries.

Gross Profit before Fair Value Adjustments

The increase in gross profit before fair value adjustments to biological assets and inventory for three and nine months ended September 30, 2020, as compared to the prior year periods was due to volume growth of our business and new facilities that became operational during 2020, partially offset by a $1,765 expense related to the fair value mark-up of inventory acquired from TGS.

Change in Fair Value of Biological Assets

Biological asset transformation for the three months ended September 30, 2020 was a net gain of $12,060 as compared to a net gain of $10,389 for the prior year period. The increase of $1,671 was due to an increase in the volume of unharvested plants.

Biological asset transformation for the nine months ended September 30, 2020 was a net gain of $12,297 as compared to a net gain of $3,590 for the prior year period. The increase of $8,707 was due to an increase in the volume of unharvested plants.

Our biological assets produced 4,876,154 grams and 1,401,776 grams of dried cannabis for the three months ended September 30, 2020 and 2019, respectively, and 8,920,993 grams and 3,809,883 grams of dried cannabis for the nine months ended September 30, 2020 and 2019, respectively.

Operating Expenses

The decrease of $171 in operating expenses for the three months ended September 30, 2020, as compared to the prior year period, was primarily attributable to lower share-based compensation of $5,932. These costs were offset by an increase in salary and benefits costs and facility costs of $4,683 due to expanded operations and increased depreciation and amortization expense of $1,269.

The decrease of $217 in operating expenses for the nine months ended September 30, 2020, as compared to the prior year period, was primarily attributable to $11,071 listing fee expense, a decrease in professional fees of $4,688 and share-based compensation of $2,198. These reductions in costs were offset by an increase in salary and benefits costs and facility costs of $11,975 as we expanded our operations and increased depreciation and amortization expense of $4,364.

Other Expense, net

The increase of $6,406 in other expense, net for the three months ended September 30, 2020, as compared to the prior year period, was due to interest expense on debt of $2,869, a change in the fair value of our derivative liability of $2,556 and an increase in interest expense of $1,531 on leases as we expanded our operations and lower interest income.

The increase of $11,301 in other expense, net for the nine months ended September 30, 2020, as compared to the prior year period, was due to interest expense on debt of $3,706, an increase in interest expense of $3,322 on leases as we expanded our operations, a change in the fair value of our derivative liability of $2,556 and an impairment of $1,969 related to the Puerto Rico disposal group.

Adjusted EBITDA

The increase in Adjusted EBITDA for the three and nine months ended September 30, 2020, as compared to the prior year periods, was primarily driven by improved gross margins offset by increases in facility costs, salary and benefits costs and advertising and promotion expenses. See *Non-IFRS Measures*.

Reconciliation of Non-IFRS Measures

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, 2020 and 2019:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Net loss	$ (11,536)	$ (19,862)	$ (59,521)	$ (78,712)
Income tax	315	1,264	949	2,233
Depreciation and amortization	7,895	4,231	19,525	10,260
Interest expense, net and debt amortization	4,308	350	6,789	1,175
EBITDA	**$ 982**	**$ (14,017)**	**$ (32,258)**	**$ (65,044)**
Adjustments:				
Share-based compensation	7,218	13,150	22,341	24,539
Net impact, fair value of biological assets and inventory sold	(12,060)	(10,389)	(12,297)	(3,590)
Fair value mark-up for acquired inventory	1,765	—	1,765	—
Adjustments for acquisition and other non-core costs*	2,616	—	3,483	—
Fair value changes on derivative liabilities	2,556	—	2,556	—
Impairment on disposal group	—	—	1,969	—
Listing fee expense	—	—	—	11,071
Adjusted EBITDA	**$ 3,077**	**$ (11,256)**	**$ (12,441)**	**$ (33,024)**

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

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, the Company has sustained losses since inception and we 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 flows requirements and obligations could materially change. As of September 30, 2020, we did not have any significant external capital requirements.

Recent Financing Transactions

Term Debt

On March 31, 2020, we completed the first tranche of a private offering of Private Notes for an aggregate principal amount of $14,250. The Private Notes require interest-only payments through March 30, 2024, at a rate of 9.875% per annum, payable semi-annually on March 31 and September 30 commencing on September 30, 2020. The Private Notes are due in full on March 30, 2024. We can repay the Private Notes at any time without any premium or penalty. There was no collateral associated with the Private Notes.

In connection with the first tranche offering of the Private Notes, we issued 1,610,250 common share purchase warrants with an exercise price of $3.10 (Canadian Dollars). Upon initial recognition, we recorded $1,403 to equity reserves, reflecting the fair value of the warrants issued, with a corresponding reduction of the carrying value of the loan. The debt discount will be amortized to interest expense over the term of the notes using the effective interest method.

On April 23, 2020, we completed the second tranche of a private offering of additional Private Notes for an aggregate principal amount of $1,000. In connection with the second tranche offering of the Private Notes, we issued 130,000 common share purchase warrants with an exercise price of $3.10 (Canadian Dollars).

On May 14, 2020, we completed a private offering of an aggregate of 19,115 Units for aggregate gross proceeds of $19,115, each Unit being comprised of (i) $1,000 principal amount of 13.00% Notes and (ii) 120 common share purchase warrants with an exercise price of $2.95 (Canadian Dollars) per underlying common share. Concurrent with the closing of the May Private Offering, the Private Notes were exchanged for Notes. In addition, holders of Private Notes were issued additional 130,388 warrants with an exercise price of $2.95 (Canadian Dollars) per underlying common share. On July 7, 2020, we completed a second private offering of an aggregate of 4,200 Units for aggregate gross proceeds of $4,200, each Unit being comprised of (i) $1,000 of Notes and (ii) 75 common share purchase warrants with an exercise price of $4.53 (Canadian Dollars) per underlying common share. As of September 30, 2020, total outstanding 13% senior secured first-lien debt outstanding was $38,565, with 2,424,188 warrants with an exercise price of $2.95 (Canadian Dollars), 1,723,250 warrants with an exercise price of $3.10 (Canadian Dollars) and 315,000 warrants with an exercise price of $4.53 (Canadian Dollars) were issued in connection with the Notes.

The Notes contain customary terms and conditions, representations and warranties, and events of default.

On June 19, 2020, we completed the first tranche of an offering of senior secured convertible notes ("Convertible Notes") for an aggregate principal amount of $12,800. During July 2020, we completed subsequent tranches for an aggregate principal amount of $5,960. As of September 30, 2020, total outstanding on the Convertible Notes was $18,760. The Convertible Notes can be exchanged into common shares with a conversion price of $3.79 (Canadian Dollars). For the purposes of determining the number of common shares issuable upon conversion, the principal amount of the Convertible Notes surrendered for conversion shall be deemed converted from United States Dollars into Canadian Dollars at the end of day exchange rate published by the Bank of Canada upon notice of conversion.

The Convertible Notes require interest-only payments December 19, 2023, at a rate of 5.0% per annum, payable semi-annually on June 30 and December 31 commencing on December 31, 2020. The Convertible Notes are due in full on December 19, 2023.

Cash Flows

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

	Nine Months Ended	
	September 30, 2020	**September 30, 2019**
Net cash used in operating activities	$ (35,627)	$ (53,626)
Net cash used in investing activities	(23,909)	(58,119)
Net cash provided by financing activities	54,214	150,010
Net (decrease) increase in cash and cash equivalents	$ (5,322)	$ 38,265

Operating Activities

During the nine months ended September 30, 2020, operating activities used $35,627 of cash, primarily resulting from net loss of $59,521, partially offset by equity-based compensation expense of $22,341 and depreciation and amortization of $19,370. Cash used due to changes in operating assets and liabilities was primarily due to increases in inventory of $21,406 and non-current assets of $36,953, partially offset by increases in long-term liabilities of $35,306 and biological assets of $8,564.

During the nine months ended September 30, 2019, operating activities used $53,626 of cash, primarily resulting from net loss of $78,712 and net cash used in changes in operating assets and liabilities of $18,121, partially offset by equity-based compensation expense of $19,036, the listing fee expense of $11,071, depreciation and amortization of $10,260 and deferred compensation expense of $5,503. Cash used due to changes in operating assets and liabilities was primarily due to increases in non-current assets of $55,594, inventory of $9,413, partially offset by increases in long-term liabilities of $41,035 and current liabilities of $8,887.

Investing Activities

During the nine months ended September 30, 2020, investing activities used $23,909 of cash, primarily caused by purchases of property and equipment of $39,708 offset by sale leaseback proceeds of $12,385.

During the nine months ended September 30, 2019, investing activities used $58,119 of cash, consisting of purchases of property and equipment of $51,806, cash paid for deposits of $5,240 and the issuance of a note receivable of $2,420, partially offset by cash received from deposits of $3,040.

Financing Activities

During the nine months ended September 30, 2020, financing activities provided $54,214 of cash, consisting of $55,078 in net proceeds received from the issuance of debt and the sale of membership interest of a subsidiary of $5,509 partially offset by lease liability payments of $5,751.

During the nine months ended September 30, 2019, financing activities provided $150,010 of cash, consisting of $157,359 in proceeds received from the issuance of equity, partially offset by lease payments of $3,622, debt repayment of $1,795 and repurchases of common shares of $1,934.

Outstanding Share Information

As of November 11, 2020, Columbia Care has 259,747,984 outstanding shares and 307,068,923 shares on a diluted basis, assuming in all cases, conversion of all proportionate voting shares into common shares.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, we do not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of our operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

RELATED PARTY TRANSACTIONS

We finance the construction of facilities and working capital for operations of our not-for-profit subsidiaries. Each subsidiary executes a note in favor of Columbia Care (or its affiliates) which bears interest and has specific repayment terms. Each of the entities has a separate board of directors, which include certain shareholders of Columbia Care. Columbia Care earns success fees upon the implementation and successful opening of the facilities, as well as ongoing management fees. These transactions are eliminated in consolidation for financial reporting purposes.

In accordance with IFRS reporting standards, we report compensation, fees, and other benefits and compensation arrangements made to individuals within the organization that fit the definition of key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of Columbia Care as a whole. Our key management personnel consist of executive and non-executive shareholders, of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

Remuneration attributed to key management personnel during the three and nine months ended September 30, 2020 and 2019, are summarized in the table below:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Salaries and benefits	$ 1,091	$ 1,045	$ 3,403	$ 2,956
Equity-based compensation	8,157	14,758	18,575	17,114
	$ 9,248	$ 15,803	$ 21,978	$ 20,070

CHANGES IN OR ADOPTION OF ACCOUNTING PRACTICES

The following IFRS standards have been recently issued by the IASB. We have adopted these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to Columbia Care have been excluded herein.

IFRS 3, Definition of a Business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

CRITICAL ACCOUNTING ESTIMATES

We make judgements, estimates and assumptions about the future that affect reported of 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 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.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Biological Assets

The valuation of biological assets, consisting of unharvested cannabis plants, are dependent upon estimates of future economic benefits resulting from past events to determine the fair value through an exercise of significant judgement by us. In estimating the fair value of an asset or a liability, we use market observable data to the extent it is available. When market observable data is not available, we may rely on qualified third-party valuation consultants to perform the valuation. With respect to certain biological assets, where there is no active market for the unharvested produce. We estimate the fair value by way of a reverse analysis, working from the value of the inventory.

Our biological assets are unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. We determine the fair value of biological assets using a specific valuation technique that incorporates interdependent estimates and assumptions including the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices, and expected yields for the cannabis plants to determine the weighted average fair value deemed cost per gram.

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on future selling prices less the costs to sell at harvest. For in-process biological assets, the estimated fair value at point of harvest is adjusted based on the plants’ stage of growth. Stage of growth is determined by reference to days remaining to harvest over the average growth cycle.

Our estimates are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

These estimates include the following assumptions:

i. Selling prices per gram were determined by estimating average selling price for each respective period. Average selling price for the nine months ended September 30, 2020 and year ended December 31, 2019 was $8.56 and $12.51 per gram, respectively;

ii. The stage of plant growth at which point of harvest is determined. As of September 30, 2020 and December 31, 2019, the biological assets were on average 60% and 51% completed, respectively;

iii. Selling and other fulfillment costs were determined by estimating the average cost per gram, which was $2.72 and $2.04 per gram and equivalent gram of cannabis sold as of September 30, 2020 and December 31, 2019, respectively;

iv. Expected yield per plant varies by strain and is estimated through historical growing results or grower estimate if historical results are not available. Average dry yield per plant as of September 30, 2020 and December 31, 2019 was 178 and 175 grams per plant, respectively.

Non-controlling Interests

Non-controlling interests are classified as a separate component of equity in Columbia Care's consolidated statements of financial position and statements of changes in equity. Net income (loss) attributable to non-controlling interests are reflected separately in the consolidated statements of comprehensive loss and changes in equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. In addition, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value and the difference between the carrying value and fair value of the retained interest will be recorded as a gain or loss.

Share-based Payment Arrangements

We estimate the fair value of each share-based award on its measurement date using either the current market price of the shares, the Black-Scholes option valuation model or a Monte Carlo simulation valuation model, whichever is most appropriate and includes an estimate of the awards that will be forfeited. The Black-Scholes and Monte Carlo simulation valuation models incorporate assumptions such as share price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. Changes in assumptions used to estimate fair value could result in materially different results.

Deferred Tax Asset and Valuation Allowance

Deferred tax assets, including those arising from tax loss carry-forwards, requires us to assess the likelihood that Columbia Care will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend, among other things, on management's estimates of future income and cash flows. In addition, future changes in tax laws could limit the ability of Columbia Care to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of Columbia Care to realize the net deferred tax assets recorded at the reporting date could be impacted.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, accounts payable, accrued expenses and long-term debt. The fair values of cash, accounts payable and accrued expenses approximate their carrying values due to the relatively short-term to maturity. Columbia Care classifies its cash as fair value through profit and loss (FVTPL) and accounts payable, accrued expenses and long-term debt as other financial liabilities. The fair value of cash and cash equivalents is based on level 1 inputs of the fair value hierarchy.

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 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, 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, 2020 and December 31, 2019, 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 placed with regulated U.S. financial institutions.

We provide credit to our customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of our sales are transacted with cash. Through our recently introduced 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 funds our ongoing operations and to settle obligations and liabilities when due.

We expect to incur increased expenditures related to our operations, including marketing and selling expenses and capital expenditures as we expand our presence in current markets and expand into new markets.

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, 2020 and December 31, 2019, we had not entered into any significant financial transactions that were denominated in currencies different from our reporting currency, the U.S. dollar, except for proceeds from the issuance of shares in conjunction with our reverse takeover (“RTO”) transactions. In conjunction with the settlement of our RTO, we recorded a realized foreign exchange gain of $852 in other expense for the nine months ended September 30, 2019. In addition, 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 risk of prices of our products due to competitive or regulatory pressures.

Risk Factors

For a detailed description of risk factors associated with Columbia Care, refer to the "Risk Factors" section of our AIF, which is available on SEDAR at www.sedar.com.

Disclosure Controls and Internal Control over Financial Reporting

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), management is responsible for establishing and maintaining adequate Disclosure Controls and Procedures ("**DCP**") and Internal Control Over Financial Reporting ("**ICFR**").

Disclosure Controls and Procedures

In accordance with NI 52-109, management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Columbia Care, have evaluated the effectiveness of the Company's DCP. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as at December 31, 2019, the Company's DCP to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

Internal control over financial reporting

ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's ICFR and concluded that as at December 31, 2019, the Company's ICFR was effective.

There were no changes to the Company's ICFR during the nine months ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

Our management, including the CEO and CFO, believes that any DCP or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within Columbia Care have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Additional Information

Additional information relating to Columbia Care, including our AIF, is available on SEDAR at www.sedar.com. Our common shares are listed for trading on the Aequitas NEO Exchange Inc. under the symbol “CCHW”, on the Canadian Securities Exchange under the symbol “”CCHW”, on the OTCQX Best Market under the symbol “CCHWF” and on the Frankfurt Stock Exchange under the symbol “3LP”.