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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;
- access to public and private capital;
- unfavorable publicity or consumer perception of the cannabis industry;
- expansion to the adult-use market;
- 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 BALANCE SHEETS
(Unaudited)
(Expressed in thousands of U.S. dollars, except share data)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash	$ 168,424	$ 82,198
Accounts receivable, net of allowances of $2,528 and, $2,542, respectively	16,550	18,302
Inventory	109,263	94,567
Prepaid expenses and other current assets	27,526	29,252
Assets held for sale	2,120	2,120
Total current assets	323,883	226,439
Property and equipment, net	355,968	339,692
Right of use assets - operating leases, net	184,218	179,099
Right of use assets - finance leases, net	66,195	66,442
Goodwill	184,018	184,018
Intangible assets, net	355,583	367,787
Other non-current assets	12,578	13,035
Total assets	1,482,443	1,376,512
Liabilities and Equity		
Current liabilities:		
Accounts payable	26,130	44,007
Accrued expenses and other current liabilities	118,315	126,954
Income tax payable	31,709	26,537
Contingent consideration	29,345	29,345
Current portion of lease liability - operating leases	9,008	9,056
Current portion of lease liability - finance leases	5,509	5,092
Current portion of long-term debt, net	1,697	1,884
Derivative liability	—	—
Liabilities held for sale	1,122	1,122
Total current liabilities	222,835	243,997
Long-term debt, net	306,387	159,017
Deferred taxes	74,917	79,477
Long-term lease liability - operating leases	181,718	176,004
Long-term lease liability - finance leases	69,801	70,268
Contingent consideration	11,680	11,596
Derivative liability	7,478	6,795
Other long-term liabilities	77,927	78,535
Total liabilities	952,743	825,689
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, no par value, unlimited shares authorized as of March 31, 2022 and December 31, 2021, respectively, 361,840,756 and 361,423,270 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	—	—
Preferred Stock, no par value, unlimited shares authorized as of March 31, 2022 and December 31, 2021, respectively, none issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Proportionate voting shares, no par value, unlimited shares authorized as of March 31, 2022 and December 31, 2021, respectively; 14,729,636 and 14,729,636 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	—	—
Additional paid-in-capital	1,046,509	1,039,726
Accumulated deficit	(494,971)	(468,335)
Equity attributable to Columbia Care Inc.	551,538	571,391
Non-controlling interest	(21,838)	(20,568)
Total equity	529,700	550,823
Total liabilities and equity	$ 1,482,443	$ 1,376,512

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

COLUMBIA CARE INC.

CONDENSED CONSOLIDATED 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	
	March 31, 2022	**March 31, 2021**
Revenue	$ 123,087	$ 86,095
Cost of sales related to inventory production	(66,460)	(52,307)
Cost of sales related to business combination fair value adjustments to inventory	—	(140)
Gross profit	56,627	33,648
Selling, general and administrative expenses	(71,292)	(48,034)
Loss from operations	(14,665)	(14,386)
Other expense:		
Interest (expense) income on leases, net	(1,426)	(1,150)
Interest (expense) income, net	(11,244)	(3,856)
Other income (expense), net	61	(253)
Total other expense	(12,609)	(5,259)
Loss before income taxes	(27,274)	(19,645)
Income tax expense	(632)	(9,518)
Net loss and comprehensive loss	(27,906)	(29,163)
Net loss attributable to non-controlling interests	(1,270)	(381)
Net loss attributable to shareholders	$ (26,636)	$ (28,782)
Weighted-average number of shares used in earnings per share - basic and diluted	376,397,260	294,815,943
Loss attributable to shares (basic and diluted)	$ (0.07)	$ (0.10)

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

COLUMBIA CARE INC.
CONDENSED CONSOLIDATED 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**

	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**

(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 interim consolidated financial statements.

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (27,906)	$ (29,163)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,210	8,523
Equity-based compensation	6,374	7,786
Debt amortization expense	1,936	1,241
Provision for obsolete inventory and other assets	156	—
Change in fair value of derivative liability	683	179
Deferred taxes	(4,560)	5,319
Other	217	84
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	1,726	1,128
Inventory	(14,851)	(4,843)
Prepaid expenses and other current assets	1,942	657
Other assets	(6,111)	5,636
Accounts payable	(12,072)	2,650
Accrued expenses and other current liabilities	(8,037)	(4,232)
Income taxes payable	5,172	3,876
Other long-term liabilities	6,299	(2,329)
Net cash used in operating activities	(27,822)	(3,488)
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	—	(2,727)
Purchases of property and equipment	(29,511)	(7,232)
Proceeds from sale of plant, property and equipment	179	—
Cash (paid) received on deposits, net	(223)	26
Cash for loan under Cannascend and Corsa Verde agreements	—	(208)
Net cash used in investing activities	(29,555)	(10,141)
Cash flows from financing activities:		
Proceeds from issuance of debt	153,250	133,559
Debt issuance costs	(7,266)	(123)
Repayment of debt	(122)	—
Repayment of sellers note	(375)	(3,877)
Payment of lease liabilities	(1,642)	(1,351)
Exercise of warrants	424	808
Taxes paid on equity based compensation	(16)	—
Net cash provided by financing activities	144,253	129,016
Net increase (decrease) in cash	86,876	115,387
Cash and restricted cash at beginning of the period	82,533	71,969
Cash and restricted cash at end of the period	169,409	187,356
Reconciliation of cash and cash equivalents and restricted cash:		
Cash and cash equivalents	168,424	176,498
Restricted cash	985	10,858
Cash and cash equivalents and restricted cash, end of period	169,409	187,356
Supplemental disclosure of cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 6,209	$ 4,768
Operating cash flows from finance leases	$ 1,457	$ 1,156
Financing cash flows from finance leases	$ 1,642	$ 1,351
Cash paid for interest on other obligations	$ 5,302	$ 438
Cash paid for income taxes	$ 70	$ 135
Lease liabilities arising from the recognition of finance right-of-use assets	$ 1,597	$ 4,750
Lease liabilities arising from the recognition of operating right-of-use assets	$ 551	$ 3,037
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash fixed asset additions within accounts payable and accrued expenses	$ 11,010	$ 2,455
Non-cash equity issuance costs within accrued expenses and accounts payable	$ 223	$ 286
Shares issued in connection with business acquisitions	$ —	$ 4,972

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 in the fourth quarter of 2022. 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 months ended March 31, 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 (“2021 audited consolidated financial statements”).

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 consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with this Securities and Exchange Commission, or SEC, on March 31, 2022 (the "2021 Form 10-K"). There have been no material changes to the Company’s significant accounting policies.

Revenue

The Company’s revenues are disaggregated as follows:

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

	Three months ended	
	March 31, 2022	**March 31, 2021**
Dispensary	$ 105,816	$ 73,957
Cultivation and wholesale	17,123	12,079
Other	148	59
	$ 123,087	$ 86,095

During the three months ended March 31, 2022 and 2021, the Company netted discounts of $20,520 and $9,358 against the revenues. 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 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.

3. INVENTORY

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

	March 31, 2022	**December 31, 2021**
Accessories	$ 668	$ 815
Work-in-process - cannabis in cures and final vault	61,132	52,519
Finished goods - dried cannabis, concentrate and edible products	47,463	41,233
Total inventory	$ 109,263	$ 94,567

The inventory values are net of inventory write-downs primarily as a result obsolescence or unmarketability is charged to cost of sales. There were not material write-downs during the three months ended March 31, 2022.

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

4. CURRENT AND LONG-TERM DEBT

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

	March 31, 2022	December 31, 2021
2026 Notes	$ 185,000	$ —
Term debt	38,215	69,965
2025 Convertible Notes	74,500	74,500
Mortgage Note	19,903	20,000
2023 Convertible Notes	5,600	5,600
Acquisition related real estate notes	7,000	7,000
Acquisition related promissory notes	4,500	4,875
Acquisition related term debt	3,289	3,314
	338,007	185,254
Unamortized debt discount	(16,524)	(19,301)
Unamortized deferred financing costs	(13,539)	(5,379)
Unamortized debt premium	140	327
Total debt	308,084	160,901
Less current portion, net*	(1,697)	(1,884)
Long-term portion	$ 306,387	$ 159,017

*The current portion of the debt includes scheduled payments on the mortgage note, 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 March 31, 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 February 2022 Private Placement. The Company accounted for the exchange of $31,750 aggregate principal amount of the existing Term Debt as a debt modification in accordance with ASC 470-50. 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 effective interest rate.

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

Total interest and amortization expense on the Company's debt obligations during the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended	
	March 31, 2022	**March 31, 2021**
Interest expense	$ 9,426	$ 2,987
Amortization of debt discount	1,296	1,063
Amortization of debt premium	(49)	(70)
Amortization of debt issuance costs	689	248
Other interest (expense) income, net	(118)	(372)
Total interest expense	$ 11,244	$ 3,856

The weighted average interest rate on the Company's indebtedness was 8.5%.

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 is exercisable by the Company after January 1, 2022, but cannot be exercised until the Company has sold its current TGS Longmont location. The Company is in process of finding a buyer for its current TGS Longmont location, and expects to close on its sale, and then exercise its option to purchase Medicine Man Longmont during the second quarter of 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. As of March 31, 2022 TGS Longmont is reflected within assets held for sale on the Company's consolidated balance sheet 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 enter, or 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
Milestone shares after closing (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.

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

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
Option deposit		5,899
Property and equipment		1,498
Right of use assets		10,613
Goodwill		9,908
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 a goodwill of $ 9,908. 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. No adjustments to the preliminary allocation of purchase price impacted goodwill during the three months ended March 31, 2022. As additional information becomes available, the Company may revise the allocation to certain assets and liabilities and finalize the acquisition accounting within the required measurement period of one year.

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.

The fair value of the acquired assets and liabilities are provisional pending receipt of the final valuations for those assets and liabilities.

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.

6. PROPERTY AND EQUIPMENT

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

		March 31, 2022		December 31, 2021
Land and buildings	$	115,161	$	113,736
Furniture and fixtures		10,009		8,564
Equipment		40,105		36,052
Computers and software		3,266		2,914
Leasehold improvements		158,501		145,259
Construction in process		89,389		86,326
Total property and equipment, gross		416,431		392,851
Less: Accumulated depreciation		(60,463)		(53,159)
Total property and equipment, net	$	355,968	$	339,692

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

	Three months ended	
	March 31, 2022	**March 31, 2021**
Total depreciation expense for three months ended	$ 7,328	$ 4,703
Included in:		
Costs of sales related to inventory production	$ 4,127	$ 2,738
Selling, general and administrative expenses	$ 3,201	$ 1,965

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	March 31, 2022	**December 31, 2021**
Prepaid expenses	$ 15,131	$ 15,362
Short term deposits	7,746	6,960
Other current assets	3,398	5,822
Excise and sales tax receivable	1,251	1,108
Prepaid expenses and other current assets	$ 27,526	$ 29,252

8. OTHER NON-CURRENT ASSETS

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

	March 31, 2022	**December 31, 2021**
Long term deposits	$ 4,512	$ 5,602
Indemnification receivable	4,111	4,111
Investment in affiliates	775	776
Restricted cash	985	335
Notes receivable	2,195	2,211
Interest receivable	—	—
Other non-current assets	$ 12,578	$ 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:

	March 31, 2022	**December 31, 2021**
Accrued acquisition and settlement of pre-existing relationships	$ 75,427	$ 86,596
Taxes- property and other	12,076	14,062
Other accrued expenses	11,012	6,035
Payroll liabilities	8,436	12,799
Other current liabilities	7,374	4,673
Construction in progress	3,990	2,789
Accrued expenses and other current liabilities	$ 118,315	$ 126,954

10. SHAREHOLDERS' EQUITY

The Company had the following activity during the three months ended March 31, 2022:

- Granted 9,585,140 time-based restricted stock units and 1,473,261 performance-based restricted stock units during the three months ended March 31, 2022.

- Issued 144,033 Common Shares upon vesting of RSU's. An additional 93,453 shares were sold to cover for taxes on the share-based compensation unit that were issued during the three months ended March 31, 2022.

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

11. WARRANTS

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

	March 31, 2022		December 31, 2021	
Expiration	**Number of Shares Issued and Exercisable**	**Exercise Price (Canadian Dollars)**	**Number of Shares Issued and Exercisable**	**Exercise Price (Canadian Dollars)**
May 8, 2021	—	$ 5.71	-	$ 5.71
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 three months ended March 31, 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	(262,200)	3.08
Balance at March 31, 2021	12,885,719	**$ 6.99**
Balance at December 31, 2021	11,662,766	**$ 7.15**
Exercised	(180,000)	2.95
Balance at March 31, 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 March 31,	
	2022	**2021**
Numerator:		
Net loss	$ (27,906)	$ (29,163)
Less: Net loss attributable to non-controlling interests	(1,270)	(381)
Net loss attributable to shareholders	$ (26,636)	$ (28,782)
Denominator:		
Weighted average shares outstanding - basic and diluted	376,397,260	294,815,943
Loss per share - basic and diluted	$ (0.07)	$ (0.10)

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. Other than the accruals mentioned in this Note, the Company has not accrued any liabilities related to any pending claims potentially subject to indemnification arrangements in its condensed interim consolidated financial statements.

A former owner of the Company's Florida-licensed business was sued by a former purported joint venture partner, alleging various statutory and common law claims related to the terminated joint venture. The Company was not a party to this lawsuit, but, as part of its acquisition of the business, had agreed to indemnify the owner for litigation costs and any judgment rendered in the matter, in excess of $750. On January 20, 2021, following an arbitration hearing, the arbitration panel issued a partial final award in the former joint venture partner's favor on three of the 11 claims asserted and awarded the former joint venture partner $10,553 plus prejudgment interest from July 26, 2017 through the present, as well as reasonable attorneys' fees. On March 2, 2021, the Panel issued a Final Award, awarding the former joint venture partner a total of $15,195, inclusive of prejudgment interest and attorneys' fees. The Company was financially responsible for payment of the Final Award, pursuant to its indemnification commitment to the former owner. Two subsidiaries of the Company, and certain members of the Company's management team were named in a separate lawsuit commenced by the same former joint venture partner alleging various claims related to the same terminated joint venture. The trial court dismissed a majority of the claims in the lawsuit. All parties to the arbitration and the additional lawsuit agreed to amicably resolve the arbitration and the additional lawsuit. There were no admissions of liability. In furtherance of the resolution, the Company made two payments of $11,425 each in December 2021 and January 2022 against the total accrual of $22,800 and accrued interest. The Company does not have an accrued balance as of March 31, 2022.

For the quarter ended September 30, 2021, the Company had anticipatorily accrued $68,000 for potential share issuances and cash payments for purposes of acquisition and settlement of pre-existing relationships, inclusive of prospective acquisition costs relating to third-party entities and other litigation costs. For the three months ended March 31, 2022, there have been no changes to the accrued balance. On April 18, 2022, in connection with the accrual, the Company issued 18,755,082 common shares and on April 18, 2022 and April 24, 2022 paid approximately $26,000 to acquire, by merger, VentureForth Holdings, LLC, which is the owner of VentureForth. VentureForth holds two licenses from the Washington D.C. Alcoholic Beverage Regulation Administration ("ABRA"), specifically, one license to cultivate and manufacture medical cannabis and one license to dispense medical cannabis. The merger was approved by ABRA. The Company previously had a management services agreement with VentureForth. In further connection with the accrual, the shares issued, and amounts paid also amicably resolved, with no admissions of liability and in exchange for releases, certain direct, indirect, derivative and indemnification claims relating to a confidential arbitration to which VentureForth, a separate subsidiary of the Company and certain members of the Company's management team were respondent parties.

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, no provision has been made in these condensed interim consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

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
March 31, 2022				
Derivative liability	$ —	$ —	$ (7,478)	$ (7,478)
Contingent consideration	—	—	(41,025)	(41,025)
	$ —	$ —	$ (48,503)	$ (48,503)
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 March 31, 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 March 31, 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.

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

15. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	March 31, 2022	December 31, 2021
Goodwill	$ 256,346	$ 256,346
Less: Accumulated impairment on goodwill	(72,328)	(72,328)
Total goodwill, net	184,018	184,018
Licenses	285,854	285,854
Trademarks	59,694	59,694
Customer Relationships	52,500	52,500
Total intangible assets	398,048	398,048
Less: Accumulated amortization	(42,465)	(30,261)
Total intangible assets, net	$ 355,583	$ 367,787

The amortization expense for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Amortization for the period included in selling, general and administrative expenses	$ 12,204	$ 2,906

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Salaries and benefits	$ 30,371	$ 24,280
Professional fees	6,809	5,325
Depreciation and amortization	15,710	5,137
Operating facilities costs	10,037	6,588
Operating office and general expenses	2,777	3,459
Advertising and promotion	4,257	2,580
Other fees and expenses	1,331	665
Total selling, general and administrative expenses	$ 71,292	$ 48,034

17. OTHER EXPENSE, NET

Other expense, net is summarized in the table below:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Rental income	$ (762)	$ —
Change in fair value of the derivative liability	683	179
Other expense	18	74
Total other expense, net	$ (61)	$ 253

18. SUBSEQUENT EVENTS

In April 2022, the Company issued 18,755,082 common shares and, on April 18, 2022 and April 24, 2022 paid approximately $26,000 to acquire, by merger, VentureForth Holdings, LLC, which is the owner of VentureForth, and holds two licenses from the Washington D.C. Alcoholic Beverage Regulation Administration (“ABRA”), specifically, one license to cultivate and manufacture medical cannabis and one license to dispense medical cannabis. The merger was approved by ABRA. The Company previously had a management services agreement with VentureForth. In further connection with the acquisition, the shares issued and amounts paid also amicably resolved, with no admissions of liability and in exchange for releases, certain direct, indirect, derivative and indemnification claims relating to a confidential arbitration to which VentureForth, a separate subsidiary of the Company and certain members of the Company’s management team were respondent parties.