



# **Columbia Care Inc.**

## **Condensed Interim Consolidated Financial Statements (Unaudited)**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in U.S. dollars)

**COLUMBIA CARE INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(expressed in thousands of U.S. dollars)  
(unaudited)

	<i>Note</i>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>			
Current assets:			
Cash	<b>6</b>	\$ 116,931	\$ 61,111
Accounts receivable	<b>6</b>	13,024	7,414
Inventory	<b>3,6</b>	170,446	111,549
Biological assets	<b>4,6</b>	59,662	18,752
Prepaid expenses and other current assets	<b>6</b>	42,505	11,389
Assets held for sale	<b>18</b>	—	3,483
Total current assets		<u>402,568</u>	<u>213,698</u>
Property and equipment	<b>6,8</b>	258,730	114,400
Right of use assets	<b>6</b>	229,624	187,715
Goodwill	<b>6</b>	270,406	132,808
Intangible assets	<b>6,17</b>	266,473	100,342
Notes receivable	<b>6</b>	2,226	15,832
Other non-current assets	<b>6,9</b>	53,833	27,796
Total assets		<u>\$ 1,483,860</u>	<u>\$ 792,591</u>
<b>Liabilities and Equity</b>			
Current liabilities:			
Accounts payable	<b>6</b>	\$ 44,455	\$ 18,466
Accrued expenses and other current liabilities	<b>6,10</b>	135,571	42,860
Income tax payable	<b>6</b>	29,984	2,470
Contingent consideration	<b>6</b>	55,783	48,202
Current portion of lease liability		13,015	9,937
Current portion of long-term debt	<b>5,6</b>	1,903	8,439
Derivative liability	<b>5,6,16</b>	13,321	17,109
Liabilities held for sale	<b>18</b>	—	1,483
Total current liabilities		<u>294,032</u>	<u>148,966</u>
Long-term debt	<b>5,6</b>	138,108	76,090
Deferred taxes	<b>6</b>	69,831	32,400
Long-term lease liability		238,653	200,741
Contingent consideration	<b>6</b>	45,173	—
Other long-term liabilities	<b>6</b>	72,877	12,518
Total liabilities		<u>858,674</u>	<u>470,715</u>
Equity:			
Equity attributable to Columbia Care Inc.	<b>11</b>	648,486	341,589
Non-controlling interest	<b>21</b>	(23,300)	(19,713)
Total shareholders' equity		<u>625,186</u>	<u>321,876</u>
Total liabilities and equity		<u>\$ 1,483,860</u>	<u>\$ 792,591</u>

Operations of the Company (Note 1)  
Commitments and contingencies (Note 15)  
Subsequent events (Note 22)

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

**COLUMBIA CARE INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

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

(unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Revenues, net of discounts		\$ 132,322	\$ 48,703	\$ 320,804	\$ 103,439
Cost of sales		(67,860)	(29,707)	(176,517)	(66,270)
Cost of sales related to business combination fair value adjustments to inventories		(1,430)	(1,765)	(2,922)	(1,765)
Gross profit before change in fair value adjustments of biological assets		63,032	17,231	141,365	35,404
Fair value adjustments:					
Change in fair value of biological assets included in inventory sold	4	(59,213)	(22,239)	(114,787)	(60,328)
Unrealized gain on changes in fair value of biological assets and inventory	4	68,467	34,299	144,570	72,625
Total fair value adjustments		9,254	12,060	29,783	12,297
Gross margin		72,286	29,291	171,148	47,701
Operating expenses:					
Selling, general and administrative		56,501	26,430	142,699	72,455
Share-based compensation		4,993	7,218	17,833	22,341
Total operating expenses		(61,494)	(33,648)	(160,532)	(94,796)
Income (loss) from operations		10,792	(4,357)	10,616	(47,095)
Other (expense) income:					
Change in fair value of derivative liability		4,847	(2,556)	6,760	(2,556)
Loss on conversion of debt		—	—	(1,580)	—
Interest expense, net		(6,990)	(2,154)	(14,855)	(1,683)
Interest expense related to lease liabilities		(4,211)	(2,154)	(12,554)	(5,106)
Other expense, net	19	(53,781)	—	(53,795)	(2,132)
Total other expense, net		(60,135)	(6,864)	(76,024)	(11,477)
Loss before provision for income taxes		(49,343)	(11,221)	(65,408)	(58,572)
Income tax benefit (expense)		12,160	(315)	2,021	(949)
Net loss and comprehensive loss		(37,183)	(11,536)	(63,387)	(59,521)
Net loss attributable to non-controlling interests		(998)	(681)	(1,628)	(4,422)
Net loss attributable to shareholders		\$ (36,185)	\$ (10,855)	\$ (61,759)	\$ (55,099)
Weighted-average number of shares used in earnings per share - basic and diluted		325,416,684	235,682,767	311,446,922	223,461,261
Loss attributable to shares (basic and diluted)	14	\$ (0.11)	\$ (0.05)	\$ (0.20)	\$ (0.25)

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

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

	Share Capital			Reserves	Deficit	Total Columbia Care Inc. Shareholders' Equity	Non- Controlling Interest	Total Shareholders' Equity
	Common Shares	Proportionate Voting Shares	Amount					
<b>Balance as of December 31, 2019</b>	<b>117,176,201</b>	<b>99,352,980</b>	<b>\$ 354,926</b>	<b>\$ 89,550</b>	<b>\$ (176,202)</b>	<b>\$ 268,274</b>	<b>\$ (1,342)</b>	<b>\$ 266,932</b>
Equity-based compensation <sup>(1)</sup>	1,040,450	—	(10)	22,341	—	22,331	—	22,331
Issuance of shares in connection with acquisitions	32,955,987	—	107,892	—	—	107,892	—	107,892
Commitment to issue shares in connection with acquisition	—	—	874	—	—	874	—	874
Cancellation of restricted stock awards	—	(34,216)	—	—	—	—	—	—
Warrants issued with debt	—	—	—	3,404	—	3,404	—	3,404
Warrants exercised	2,192,298	—	—	388	—	388	—	388
Sale of membership interests in subsidiary	—	—	—	—	—	—	5,509	5,509
Non-controlling interest buyout	7,038,835	—	15,500	—	(14,824)	676	(1,676)	(1,000)
Conversion of proportionate voting shares into common shares	59,003,984	(59,003,984)	—	—	—	—	—	—
Net loss	—	—	—	—	(55,099)	(55,099)	(4,422)	(59,521)
<b>Balance as of September 30, 2020</b>	<b>219,407,755</b>	<b>40,314,780</b>	<b>\$ 479,182</b>	<b>\$ 115,683</b>	<b>\$ (246,125)</b>	<b>\$ 348,740</b>	<b>\$ (1,931)</b>	<b>\$ 346,809</b>
<b>Balance as of December 31, 2020</b>	<b>250,003,917</b>	<b>26,507,914</b>	<b>\$ 533,735</b>	<b>\$ 112,457</b>	<b>\$ (304,603)</b>	<b>\$ 341,589</b>	<b>\$ (19,713)</b>	<b>\$ 321,876</b>
Equity-based compensation <sup>(1)</sup>	5,295,327	—	16,268	(3,221)	—	13,047	—	13,047
Issuance of shares, net	21,792,500	—	133,151	—	—	133,151	—	133,151
Non-controlling interest buyout	783,805	—	—	1,959	—	1,959	(1,959)	—
Issuance of shares in connection with acquisitions	56,127,512	—	194,679	—	—	194,679	—	194,679
Conversion of convertible debt	4,550,139	—	23,919	—	—	23,919	—	23,919
Cancellation of restricted stock awards	(111,974)	(342,158)	—	—	—	—	—	—
Warrants exercised	813,943	—	1,901	—	—	1,901	—	1,901
Conversion of proportionate voting shares into common shares	11,379,569	(11,379,569)	—	—	—	—	—	—
Net loss	—	—	—	—	(61,759)	(61,759)	(1,628)	(63,387)
<b>Balance as of September 30, 2021</b>	<b>350,634,738</b>	<b>14,786,187</b>	<b>\$ 903,653</b>	<b>\$ 111,195</b>	<b>\$ (366,362)</b>	<b>\$ 648,486</b>	<b>\$ (23,300)</b>	<b>\$ 625,186</b>

(1) The amounts are shown 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 INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(expressed in thousands of U.S. dollars)  
(unaudited)

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (63,387)	\$ (59,521)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	45,266	19,525
Equity-based compensation	17,833	22,341
Debt amortization expense	4,129	965
Loss on conversion of Convertible Notes	1,580	—
Change in fair value of biological assets	(29,783)	(12,297)
Change in fair value of derivative liability	(6,760)	2,556
Impairment of disposal group	2,000	1,969
Provision for obsolete inventory and other assets	2,284	1,327
Deferred taxes	(19,340)	(2,311)
Change in fair value of contingent consideration	(23,583)	—
Other	249	163
Changes in operating assets and liabilities		
Accounts receivable	(645)	(1,317)
Biological assets	2,789	8,564
Inventory	(17,493)	(21,406)
Prepaid expenses and other current assets	5,316	496
Other assets	2,757	(36,958)
Accounts payable, accrued expenses and other current liabilities	57,836	(7,855)
Income taxes payable	27,514	12,826
Other long-term liabilities	(4,273)	35,306
Net cash provided by (used in) operating activities	4,289	(35,627)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(72,323)	(39,708)
Cash paid for other assets	(15,770)	—
Cash paid for acquisitions, net of cash acquired	(33,744)	3,003
Cash for loan under CannAscend and Corsa Verde agreements	(672)	(317)
Cash paid (received) for deposits, net	(2,880)	728
Proceeds from sale and leaseback	—	12,385
Net cash used in investing activities	(125,389)	(23,909)

**COLUMBIA CARE INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(expressed in thousands of U.S. dollars)

(unaudited)

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from issuance of common shares	133,559	—
Equity issuance costs	(408)	—
Net proceeds from issuance of debt	71,520	55,078
Debt issuance costs	(210)	—
Payment of lease liabilities	(15,106)	(5,751)
Exercise of warrants	1,901	388
Repayment of debt	(9,550)	—
Taxes paid on equity-based compensation	(4,786)	—
Sale of membership interest in subsidiary	—	5,509
Repurchase of common shares	—	(10)
Purchase of non-controlling interest	—	(1,000)
Net cash provided by financing activities	<u>176,920</u>	<u>54,214</u>
<b>Net increase (decrease) in cash</b>	<b>55,820</b>	<b>(5,322)</b>
Cash at beginning of the period	61,111	47,464
Cash at end of period	<u>\$ 116,931</u>	<u>\$ 42,142</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest on lease obligations	\$ 12,158	\$ 5,106
Cash paid for interest on other obligations	\$ 7,667	\$ 482
Cash paid for income taxes	\$ 10,379	\$ 1,709
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Lease liabilities arising from the recognition of right-of-use assets	\$ 56,825	\$ 35,320
Non-cash fixed asset additions within accounts payable and accrued expenses	\$ 18,242	\$ 2,258
Issuance of warrants	\$ —	\$ 3,404
Debt incurred issued in connection with acquisition of property, plant and equipment	\$ 7,000	\$ —
Shares issued in connection with acquisition of other assets	\$ 13,359	\$ —
Shares issued in connection with acquisition of property and equipment	\$ 228	\$ —
Short-term obligation assumed in connection with acquisition of other assets	\$ 12,500	\$ —
Shares issued in connection with conversion of Convertible Notes into equity, net	\$ 23,919	\$ —
Extinguishment of derivative liability upon conversion of Convertible Notes into equity	\$ 12,127	\$ —
Derivative liability recognized upon issuance of convertible debt	\$ 15,099	\$ 5,364
Shares issued in connection with business acquisitions	\$ 132,201	\$ 108,766
Shares issued in connection with satisfaction of contingent consideration	\$ 48,893	\$ 26,445
Note payable, net of discount, issued in connection with acquisition	\$ 8,062	\$ 8,170
Conversion of promissory note into shares in connection with business acquisition	\$ 1,500	\$ —
Intercompany note receivable with TGS assumed in connection with acquisition	\$ —	\$ 16,855
Buyout of non-controlling interest by issuance of shares	\$ 1,959	\$ —
Contingent consideration incurred in connection with acquisition	\$ 125,230	\$ —

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

## **COLUMBIA CARE INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020  
(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)  
(unaudited)

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### **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. 24<sup>th</sup> 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 under the symbol “CCHW”, the OTCQX Best Market under the symbol “CCHWF” and on the Frankfurt Stock Exchange under the symbol “3LP”.

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. The Company incurred lower revenues, and additional expenditures related to COVID-19 during the first half of 2020. During the first half of 2020, the Company's operations in Massachusetts were affected by a 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. The Company's operating results, with the exception of our California market, were not materially impacted during the first nine months of 2021. Currently, the Company is closely monitoring the impact of the pandemic on all aspects of its business, and it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations.

The Company is subject to risks common in the life sciences and consumer products industries including, but not limited to, compliance with government regulations, regulatory approvals, competitive markets, new technological innovations, protection of proprietary technology, dependence on key personnel, uncertainty of market acceptance and the need to obtain additional financing.

While cannabis and CBD-infused products are legal under the laws of many U.S. states (with varying restrictions applicable), the United States Federal Controlled Substances Act classifies all “marijuana” as a Schedule I drug, whether for medical or recreational use. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for use under medical supervision.

In recent years, a temporary federal legislative enactment that prohibits the Department of Justice from expending appropriated funds to enforce federal laws that interfere with a state's implementation of its own medical marijuana laws has been included in multiple Appropriations laws that have passed Congress. This so-called budget rider is known as the Rohrbacher-Farr Amendment. The Rohrbacher-Farr Amendment has been included in successive appropriations legislation or resolutions since 2015. The Rohrbacher-Farr Amendment was extended most recently in the Omnibus Appropriations Act of 2021, which funds the agencies of the federal government through September 30, 2021, as amended by a stopgap spending measure extending the Act through December 3, 2021. Notably, the Rohrbacher-Farr Amendment has applied only to medical marijuana programs and has not provided the same protections to enforcement against adult-use activities.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## **COLUMBIA CARE INC.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

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

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Basis of preparation*

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and should be read in conjunction with the Company’s audited consolidated financial statements as of and for the year ended December 31, 2020. These condensed interim consolidated financial statements do not include all disclosures required for a complete set of IFRS financial statements. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2020. However, selected explanatory notes are included to explain events and transactions deemed significant to provide an understanding of the changes in the Company’s financial position and performance since its most recent annual audited consolidated financial statements. These financial statements are presented in U.S. dollars. The Canadian dollar serves as the functional currency of the Company and the Company’s subsidiaries all use the U.S. dollar as their functional currency.

These condensed interim consolidated financial statements were approved and authorized by the board of directors of the Company on November 9, 2021.

### *Significant Accounting Judgments, Estimates and Assumptions*

The preparation of the Company’s condensed interim consolidated financial statements requires management to make judgments, 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 revision affects both current and future periods. The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were consistent with those described in the Company’s most recent annual audited consolidated financial statements and adjusted for significant changes in the current reporting period indicated below and throughout the condensed interim consolidated financial statements.

### *Loss on conversion of Convertible Debt*

Under the terms of the Company’s Convertible Debt, the Company is permitted to offer additional incentives to the convertible debtholders as an inducement to convert their convertible debt into common shares. The additional incentive offered to the convertible debt holders is accounted for by the Company by recognizing a loss on conversion equal to the fair value of additional shares that were issued as a result of the incentive program. The difference between the net book value of the debt that is converted, and the inducement loss is credited to equity. The reduction in the derivative liability relating to the embedded conversion feature within the Convertible Debt is also credited to equity.

### *Accounting for Real Estate Asset Acquisitions*

The Company’s real estate acquisitions are generally accounted for as asset acquisitions as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The Company records the cost of assets acquired based on the cost of the acquisition, which is the consideration transferred to the seller(s) and generally includes direct transaction costs related to the acquisition.



**COLUMBIA CARE INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020  
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**3. INVENTORY**

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

	<b>Capitalized cost</b>	<b>Biological asset fair value adjustment</b>	<b>Carrying amount</b>
Work-in-process - cannabis in cures and final vault	\$ 28,205	\$ 60,509	\$ 88,714
Finished goods - dried cannabis, concentrate and edible products	22,358	—	22,358
Accessories and supplies	477	—	477
<b>Carrying amount, December 31, 2020</b>	<b>\$ 51,040</b>	<b>\$ 60,509</b>	<b>\$ 111,549</b>
Work-in-process - cannabis in cures and final vault	\$ 50,542	\$ 53,144	\$ 103,686
Finished goods - dried cannabis, concentrate and edible products	32,206	33,863	66,069
Accessories and supplies	691	—	691
<b>Carrying amount, September 30, 2021</b>	<b>\$ 83,439</b>	<b>\$ 87,007</b>	<b>\$ 170,446</b>

Inventories consist of the capitalized inventory costs and the fair value adjustment on biological assets. The capitalized cost component of inventories represents the amount of cost before any fair value adjustments transferred to inventory through unrealized fair value gains recognized on the transformation of biological assets. The biological asset fair value adjustment is exclusive of any cash outlays and represents the non-cash fair value incremental adjustment arising from the transformation of biological assets transferred to inventory as deemed cost. Together, the capitalized cost and the incremental biological asset fair value adjustments comprise the total carrying amount of inventory.

**4. BIOLOGICAL ASSETS**

Biological assets consist of actively growing cannabis plants expected to be harvested as agricultural produce. The changes in the carrying amount of the biological assets are shown in the table below:

<b>Carrying amount, December 31, 2019</b>	<b>\$ 13,079</b>
Changes in fair value less costs to sell due to biological transformation	72,625
Production costs capitalized	14,920
Assets obtained in business acquisitions	14,912
Transferred to inventory upon harvest	(83,812)
<b>Carrying amount, September 30, 2020</b>	<b>\$ 31,724</b>
<b>Carrying amount, December 31, 2020</b>	<b>\$ 18,752</b>
Changes in fair value less costs to sell due to biological transformation	144,570
Production costs capitalized	5,853
Assets obtained in business acquisitions	13,916
Transferred to inventory upon harvest	(123,429)
<b>Carrying amount, September 30, 2021</b>	<b>\$ 59,662</b>

The Company's biological assets consist of unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. The valuation of these biological assets is obtained using a specific valuation technique where the inputs are based upon unobservable market data (Level 3 in the fair value hierarchy).

**COLUMBIA CARE INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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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 the point of harvest is adjusted based on the plants' stage of growth, which is determined by reference to days remaining to harvest over the average growth cycle.

The Company's 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 the Company's average selling price for each respective period. The Company's average selling price for the nine months ended September 30, 2021 and 2020 was \$4.09 and \$8.56 per gram, respectively.
- ii. The stage of plant growth at which point of harvest is determined. As of September 30, 2021 and December 31, 2020, the biological assets were on average 60% and 54% completed, respectively.
- iii. Selling and other fulfillment costs were determined by estimating the Company's average cost per gram, which was \$0.53 and \$2.72 per gram and equivalent gram of cannabis sold for the nine months ended September 30, 2021 and 2020, 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. The Company's average dry yield per plant for the nine months ended September 30, 2021 and 2020 was 169 and 178 grams per plant, respectively.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are shown in the table below:

Significant assumptions	Range of inputs as on		Sensitivity	Effect on fair value	
	September 30, 2021	December 31, 2020		September 30, 2021	December 31, 2020
Selling price per gram	\$1.40 to \$16.40 per gram	\$1.59 to \$11.25 per gram	Increase by \$1.00 per gram	\$ 19,153	\$ 6,435
Stage of growth	46% to 64%	26% to 59%	Increase by 5%	\$ 5,071	\$ 1,768
Selling and other fulfillment costs per gram	\$0 to \$2.17 per gram	\$0 to \$4.91 per gram	Increase by \$1.00 per gram	\$ (19,153)	\$ (6,436)
Expected dry yield per plant	57.50 to 241.28 grams per plant	46 to 220 grams per plant	Increase by 5 grams per plant	\$ 1,683	\$ 804

The Company's estimates are subject to change and differences from the anticipated yield will be recognized as gain or loss on biological assets in future periods.

**COLUMBIA CARE INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020  
(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)  
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**5. CURRENT AND LONG-TERM DEBT**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Term debt	\$ 69,965	\$ 69,965
Acquisition related term debt (Note 6)	3,339	—
Convertible debt	80,100	18,760
Acquisition related promissory notes (Note 6)	5,250	8,776
Project Cannabis real estate notes (Note 6)	7,000	—
	<u>165,654</u>	<u>97,501</u>
Unamortized debt discount	(20,830)	(10,500)
Unamortized debt premium	397	607
Unamortized deferred financing costs	(5,210)	(3,079)
Total debt	140,011	84,529
Less current portion, net	(1,903)	(8,439)
Long-term portion	<u>\$ 138,108</u>	<u>\$ 76,090</u>

The following table summarizes the scheduled principal payments on the Company's outstanding indebtedness as of September 30, 2021:

<b>Year ending</b>	<b>Term debt</b>	<b>Convertible debt</b>	<b>Closing Promissory Notes</b>	<b>Project Cannabis real estate notes</b>	<b>Acquisition related term debt</b>	<b>Total</b>
Due in Year 1	\$ —	\$ —	\$ 1,875	\$ —	\$ 99	\$ 1,974
Due in Years 2-5	69,965	80,100	3,375	7,000	3,240	163,680
Due in 5+ Years	—	—	—	—	—	—
Total future debt maturities	<u>\$ 69,965</u>	<u>\$ 80,100</u>	<u>\$ 5,250</u>	<u>\$ 7,000</u>	<u>\$ 3,339</u>	<u>\$ 165,654</u>

The Company was in compliance with all financial covenants and was not in default of any provisions under any of its debt arrangements as of September 30, 2021.

*Convertible Debt*

In April 2021, the Company offered an incentive program to the holders of the Convertible Notes, pursuant to which, the Company would issue to each noteholder that surrendered its Convertible Notes for conversion on or before May 28, 2021, 20 Common Shares of the Company on a private placement basis for each US\$1,000 aggregate principal amount of Convertible Notes surrendered for conversion. Pursuant to this incentive program, 4,550,139 shares were issued upon conversion of \$13,160 of Convertible Notes.

These conversions resulted in recognition of a loss on conversion of \$1,580, write down of derivative liability, debt discount and debt amortization of \$12,127, \$2,855 and \$93, respectively and a corresponding credit to paid in capital of \$23,919. Convertible note holders of \$5,600 of the convertible debt issued in 2020 did not convert their debt into Common Shares and as of September 30, 2021, \$5,600 of the convertible debt issued in 2020 was still outstanding.

*2025 Convertible Debt*

On June 29, 2021, the Company completed an offering of 6.00% Secured Convertible Notes Due 2025 ("2025 Convertible Notes") for an aggregate principal amount of \$74,500.

The 2025 Convertible Notes are senior secured obligations of the Company and will accrue interest payable

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semiannually in arrears and mature on June 29, 2025, unless earlier converted, redeemed or repurchased. The 2025 Convertible Notes shall be convertible, at the option of the holder, from the date of issuance until the date that is 10 days prior to their maturity date into common shares of the Company at a conversion price equal to US\$6.49, payable on the business day prior to the date of conversion, adjusted downwards for any cash dividends paid to holders of Common Shares and other customary adjustments. The Company may redeem the Notes at par, in whole or in part, on or after June 29, 2023, if the volume weighted average price of the Common Shares trading on the Canadian Stock Exchange or the NEO Exchange for 15 of the 30 trading days immediately preceding the day on which the Company exercises its redemption right, exceeds 120% of the conversion price of the Notes at a Redemption Price equal to 100% of the principal amount of the 2025 Convertible Notes redeemed, plus accrued but unpaid interest, if any, up to but excluding the Redemption Date.

The 2025 Convertible Notes require interest-only payments until June 29, 2025, at a rate of 6.0% per annum, payable semi-annually in June and December and commencing in December 2021. The 2025 Convertible Notes are due in full on June 29, 2025. The Company incurred financing costs of \$3,190 in connection with the 2025 Convertible Notes.

The principal amount of the 2025 Convertible Notes and the conversion price are denominated in U.S. dollars. As the functional currency of the Company is Canadian dollars, the amount of the liability to be settled depends on the applicable foreign exchange rate on the date of settlement. The 2025 Convertible Notes therefore represent an obligation to issue a fixed number of shares for a variable amount of liability. Due to this conversion feature within the 2025 Convertible Notes, the Company is unable to obtain an exception from derivative accounting. Accordingly, this conversion feature was accounted for as an embedded derivative liability and measured at fair value of \$15,099 on the date of issuance of debt with a corresponding debt discount, reflected as a reduction to the carrying value of the Convertible Notes. The Company fair values the derivative liability at each balance sheet date. Changes in fair value of the embedded derivative are recognized in the condensed interim consolidated statements of operations and comprehensive loss. The debt discount is amortized over the term of the Convertible Notes.

*Embedded derivative in Convertible Debt and 2025 Convertible Debt*

The fair value of the embedded derivative was calculated on the date of issuance of the Convertible Notes using the Monte Carlo simulation model with the following assumptions:

Expected volatility	65.00%
Expected term (years)	4.00
Expected dividends	0.00%
Risk-free interest rate	0.79%

During the three months ended September 30, 2021 and 2020, other income (loss) of \$4,847 and \$2,556, respectively was recognized in the condensed interim consolidated statement of operations and comprehensive loss due to the change in fair value of the derivative. During the nine months ended September 30, 2021 and 2020, other income (loss) of \$6,760 and \$2,556, respectively was recognized in the condensed interim consolidated statement of operations and comprehensive loss due to the change in fair value of the derivative.

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*Interest and amortization expense*

Total interest and amortization expense on the Company's debt obligations during the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest expense on debt	\$ 5,233	\$ 1,720	\$ 11,130	\$ 2,808
Amortization of debt discount	1,351	686	3,373	789
Amortization of debt premium	(70)	—	(210)	—
Amortization of debt issuance costs	371	155	966	176
Other interest (expense) income, net	105	(407)	(404)	(2,090)
<b>Total interest expense</b>	<b>\$ 6,990</b>	<b>\$ 2,154</b>	<b>\$ 14,855</b>	<b>\$ 1,683</b>

**6. ACQUISITIONS***Green Leaf Medical LLC*

On June 11, 2021, the Company acquired (the "Green Leaf Transaction") a 100% ownership interest in Green Leaf Medical, LLC ("Green Leaf"). On July 7, 2021, the Company acquired ("the Green Leaf-Ohio Transaction") a residual 49% ownership interest (constituting 949,379 Common Shares) in Green Leaf Medical of Ohio II, LLC ("Green Leaf-Ohio").

Green Leaf was formed in April 2014 for the purpose of selling medicinal and recreational cannabis products in the states of Maryland, Pennsylvania, Ohio, and Virginia. Green Leaf owns and operates vertically integrated cultivation facilities, manufacturing facilities and retail dispensaries in the states of Maryland, Pennsylvania, Ohio, and Virginia. The Company executed the Green Leaf Transaction in order to continue to grow revenues; expand its cultivation facilities, manufacturing facilities and dispensaries; and enter, or expand in the Maryland, Pennsylvania, Ohio, and Virginia markets.

The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for Green Leaf:

<b>Consideration transferred</b>	
Cash consideration	\$ 62,796
Less working capital adjustment	(2,011)
Closing shares	125,729
Milestone shares after closing (contingent consideration)	125,230
Total unadjusted purchase price	311,744
Less: Cash and cash equivalents acquired	(30,779)
Total purchase price, net of cash and cash equivalents acquired	<u>\$ 280,965</u>

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Equity purchase consideration comprised 44,848,416 Common Shares of which 322,898 Common Shares are to be issued during the last quarter of 2021.

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

**Purchase price allocation**

Assets acquired:

Accounts receivable	\$	4,660
Inventory		40,896
Biological assets		13,916
Prepaid expenses and other current assets		31,687
Property and equipment		52,070
Right of use assets		1,876
Goodwill		132,921
Intangible assets		142,858
Accounts payable		(4,080)
Accrued expenses and other current liabilities		(22,155)
Note payable		(2,344)
Lease liabilities		(1,876)
Other long-term liabilities		(62,161)
Deferred tax liabilities		(47,303)
Consideration transferred	\$	<u>280,965</u>

The purchase price allocations for the Green Leaf Transaction reflect various fair value estimates and analyses relating to the determination of fair values of certain tangible and intangible assets and liabilities acquired and residual goodwill. The purchase price allocations for the Green Leaf Transaction reflect various fair value estimates and analyses, which are subject to change within the respective measurement periods. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired during the measurement periods. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's condensed interim consolidated financial statements, and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

The contingent consideration, payable in Common Shares (the "Milestone Shares") of the Company, was estimated considering certain metrics as of the June 11, 2021 acquisition date, subject to the terms and conditions set forth in the Agreement and Plan of Merger (the "Merger Agreement") entered into by the Company in connection with the Green Leaf Transaction. The fair value of the contingent consideration was estimated using a probability weighted expected return method ("PWERM"). This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of the related milestones. Discounts of 22.75% and 37.95% were applied to the August 15, 2022 and 2023 earn out cash flows, respectively, to derive an aggregate discounted probability-adjusted earn out. The Company then applied a discount for lack of marketability rate of 14% to arrive at the net fair value of contingent consideration. An estimated range of outcomes has been deemed indeterminable by the Company.

Based on the financial results for the three months ended September 30, 2021, the Company remeasured the contingent consideration at fair value and recorded a net gain of \$23,583 within Other expense, net in the condensed interim consolidated statements of operations and comprehensive loss.

The Company determined the estimated fair value of the acquired working capital, and identifiable intangible assets and goodwill after review and consideration of relevant information including discounted cash flow analyses, market data and management's estimates, prepared by an independent valuation firm. The estimated fair value of acquired working capital was determined to approximate carrying value.

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For leases acquired, the Company measured the lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The Company measured the right-of-use asset at the same amount as the lease liability, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

The goodwill arising from the Green Leaf Transaction consists of expected synergies from combining operations of the Company and Green Leaf, 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.

Green Leaf's state licenses, trade name and wholesale customers represented identifiable intangible assets acquired in the amounts of \$98,698, \$27,985 and \$16,175, respectively, which were determined to have definite useful lives of 10, 5 and 7 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 Green Leaf Transaction, the Company expensed \$830 of acquisition-related costs, which have been included in selling, general and administrative expenses on the Company's condensed interim consolidated statement of operations and comprehensive loss.

\$31,400 and \$37,880 of revenue and \$9,690 and \$12,044 of net income of Green Leaf have been included in the condensed interim consolidated statement of operations for the three and nine months ended September 30, 2021, respectively.

*The Healing Center San Diego (THCSD)*

On January 6, 2021, the Company acquired a 100% ownership interest in The Healing Center of San Diego, Inc. (the "THCSD Transaction").

THCSD was formed in 2016 for the purpose of selling recreational and related cannabis products in San Diego, California, where it owns and operates a dispensary. The Company executed the THCSD Transaction in order to continue to grow revenues; expand its dispensaries; and penetrate the San Diego market.

The aggregate purchase price for the THCSD Transaction, being \$14,115 consisted of \$3,425 in cash consideration, \$5,718 in promissory notes ("Closing Promissory Notes") and \$4,972 in equity purchase consideration ("Closing Shares"). Equity purchase consideration comprised 971,541 Common Shares which were issued on January 6, 2021. The Closing Promissory Notes were issued with a debt discount of \$282 and require sixteen quarterly payments of \$375 of principal, plus accrued and unpaid interest thereon at a rate of 8.0% per annum, beginning on April 6, 2021, through maturity on December 16, 2024.

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The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for the THCS D Transaction:

<b>Consideration transferred</b>	
Cash consideration	\$ 3,425
Closing promissory notes	5,718
Closing Shares	4,972
Total unadjusted purchase price	14,115
Less: Cash and cash equivalents acquired	(698)
Total purchase price, net of cash and cash equivalents acquired	<u>\$ 13,417</u>

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

<b>Purchase price allocation</b>	
Assets acquired:	
Inventory	\$ 597
Prepaid expenses and other current assets	91
Property and equipment	619
Right of use assets	635
Goodwill	4,303
Intangible assets	10,987
Accounts payable	(133)
Accrued expenses and other current liabilities	(260)
Lease liabilities	(635)
Deferred tax liabilities	(2,787)
Consideration transferred	<u>\$ 13,417</u>

The purchase price allocation for the THCS D Transaction reflects various fair value estimates and analyses, which are subject to change within the respective measurement periods. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at each acquisition date during the measurement periods. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's condensed interim consolidated financial statements, and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

The Company determined the estimated fair value of the acquired working capital, and identifiable intangible assets and goodwill after review and consideration of relevant information including discounted cash flow analyses, market data and management's estimates, prepared by an independent valuation firm. The estimated fair value of acquired working capital was determined to approximate carrying value.

For leases acquired, the Company measured the lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The Company measured the right-of-use asset at the same amount as the lease liability, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

The goodwill arising from the THCS D Transaction consists of expected synergies from combining operations of the Company and THCS D, 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.

THCS D's state licenses and trade name represented identifiable intangible assets acquired in the amounts of \$9,181 and \$1,806, respectively, which were each determined to have a definite useful life of 10 years.



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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 THCS D Transaction, the Company expensed \$85 of acquisition-related costs, which have been included in selling, general and administrative expenses on the Company's statement of comprehensive income. THCS D's acquisition-related costs in the amount of \$198 were expensed in THCS D's pre-acquisition consolidated financial statements.

\$3,049 and \$8,862 of revenue and \$218 and \$671 of net income of THCS D have been included in the condensed interim consolidated statement of operations for the three and nine months ended September 30, 2021, respectively.

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

#### *Project Cannabis*

On December 1, 2020, the Company acquired (the "Project Cannabis Transaction") a 100% ownership interest in Resource Referral Services Inc., PHC Facilities Inc. and Wellness Earth Energy Dispensary, Inc., and acquired a 49.9% ownership interest in Access Bryant SPC (collectively, "Project Cannabis").

During May 2021, the Company finalized the working capital on the Project Cannabis transaction. This resulted in issuance of 178,619 shares to the sellers and recording of additional purchase consideration of \$228 to goodwill.

As a part of the Project Cannabis Transaction, the Company was also granted an option to acquire two real estate properties in California for total consideration of \$16,500 comprising \$9,500 of cash and the assumption of debt of \$7,000. In June 2021, the Company exercised the option. The debt comprises of one interest-only real estate loan of \$5,000 with a maturity date in July 2024 that requires monthly interest payments at 6%, and another interest-only real estate loan of \$2,000 with a maturity date in July 2023 that requires monthly interest payments at 10%.

#### *The Green Solution*

On September 1, 2020, the Company acquired (the "TGS Transaction") a 100% ownership interest in TGS Global, LLC ("TGS Global"), TGS Colorado Management, LLC, The Green Solution LLC, Rocky Mountain Tillage, LLC, Infuzionz, LLC and Beacon Holdings, LLC (collectively, "TGS"). As of December 31, 2020, the Company had an accrual of \$48,202 in respect of the contingent consideration payable to the sellers of TGS. In April 2021 and September 2021, the Company issued 7,234,266 and 170,053 Milestone Shares to the Sellers in settlement of this contingent consideration.

The Company made principal payments of \$1,276 and \$8,776 on the TGS Closing Promissory Notes during the three and nine months ended September 30, 2021 respectively. There was no outstanding balance as of September 30, 2021.

#### *CannAscend*

On October 25, 2018, the Company, CannAscend Alternative, LLC ("CAA"), and CannAscend Alternative Logan, LLC ("CAA Logan") entered into a Membership Interest Purchase Option Agreement (the "CannAscend Option Agreement"). CAA and CAA Logan are both Ohio-based limited liability companies that operate four dispensaries (collectively the "Target Companies"). The Company closed the acquisition on July 1, 2021.

The price paid by the Company for the CannAscend Option Agreement was approximately \$4,124 ("CannAscend Option Deposit") and it was recorded as long-term deposits on the consolidated statement of financial position at December 31, 2020. Based on the Company's exercise of the CannAscend Option, the Company paid a purchase price of \$14,150.

As part of the CannAscend Option Agreement, the Company had deposited money into an escrow account. As of December 31, 2020, the escrow deposit account had a balance of \$10,026 which was recorded as restricted cash on the

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condensed interim consolidated statement of financial position. Funds from the escrow account were released upon the closure of this acquisition.

The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for the CannAscend Transaction:

<b><u>Consideration transferred</u></b>	
Cash consideration	\$ 10,026
CannAscend deposit	4,124
Total unadjusted purchase price	14,150
Less: Cash and cash equivalents acquired	(973)
Total purchase price, net of cash and cash equivalents acquired	<u>\$ 13,177</u>

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

<b><u>Purchase price allocation</u></b>	
Assets acquired:	
Inventory	\$ 2,186
Prepaid expenses and other current assets	175
Property and equipment	8,787
Intangible assets	22,300
Accounts payable	(695)
Accrued expenses and other current liabilities	(1,695)
Notes and interest receivable	(12,358)
Deferred tax liabilities	(5,523)
Consideration transferred	<u>\$ 13,177</u>

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

Since the closing date of the CannAscend Transaction, \$7,686 of revenue and \$605 of net income of CannAscend have been included in the condensed interim consolidated statement of operations for the three and nine months ended September 30, 2021, respectively.

*Corsa Verde*

On May 4, 2021, the Company acquired Corsa Verde, LLC (“Corsa Verde”). The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for Corsa Verde:

<b><u>Purchase price allocation</u></b>	
Assets acquired:	
Accounts receivable	\$ 181
Inventory	362
Property and equipment	1,250
Intangible assets	4,754
Accounts payable	(319)
Accrued expenses and other current liabilities	(5)
Deferred tax liabilities	(1,158)
Consideration transferred	<u>\$ 5,065</u>

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Included within the consideration was a convertible promissory note (the “Convertible Note”) in the amount of \$1,500. This Convertible Note was converted into shares of Company’s common stock calculated by dividing the principal amount of the Convertible Note by the volume weighted average trading price of the Company common stock on the NEO Exchange for the 5 days preceding the closing date of the transactions contemplated by the Corsa Verde Purchase Agreement.

The preliminary purchase price allocation is as follows:

<b>Consideration transferred</b>	
Closing Shares	\$ 1,500
Note receivable	2,769
Interest receivable	200
Deposits	125
Restricted cash	498
Total unadjusted purchase price	5,092
Less: Cash acquired	(27)
Total purchase price	<u>\$ 5,065</u>

Intangible assets consist of licenses which are determined to have a definite useful life of 10 years.

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

Revenues of \$120 and \$178 and a net loss of \$288 and \$440 of Corsa Verde have been included in the condensed interim consolidated statement of operations for the three and nine months ended September 30, 2021, respectively.

*Medicine Man*

On November 1, 2021, Columbia Care acquired Medicine Man Denver (“Medicine Man”) for an upfront consideration of \$42,000, comprising \$8,400 in cash and \$33,600 in stock. The transaction terms also include a potential additional milestone payment in 2022 if certain performance targets are met. No amounts have been recorded with respect to this acquisition in the condensed interim consolidated financial statements as of September 30, 2021.

**7. RELATED PARTY TRANSACTIONS***Key management personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members 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, 2021 and 2020 are summarized in the table below:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Salaries and benefits	\$ 1,223	\$ 1,091	\$ 3,483	\$ 3,403
Equity-based compensation	3,428	8,157	12,838	18,575
	<u>\$ 4,651</u>	<u>\$ 9,248</u>	<u>\$ 16,321</u>	<u>\$ 21,978</u>

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**8. PROPERTY AND EQUIPMENT**

Property and equipment and related depreciation are summarized in the table below:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Land and buildings	\$ 68,161	\$ 3,757
Furniture and fixtures	8,447	6,970
Equipment	32,674	22,955
Computers and software	2,542	1,986
Leasehold improvements	133,757	98,380
Construction in process	59,945	11,338
Total property and equipment, gross	305,526	145,386
Less: Accumulated depreciation	(46,796)	(30,986)
<b>Total property and equipment, net</b>	<b>\$ 258,730</b>	<b>\$ 114,400</b>

A reconciliation of the beginning and ending balances of property and equipment are summarized in the tables below:

	<b>Land and buildings</b>	<b>Furniture and fixtures</b>	<b>Equipment</b>	<b>Computers and software</b>	<b>Leasehold improvements</b>	<b>Construction in process</b>	<b>Total</b>
<b>Cost</b>							
As of December 31, 2020	\$ 3,757	\$ 6,970	\$ 22,955	\$ 1,986	\$ 98,380	\$ 11,338	\$ 145,386
Additions	16,509	809	5,010	256	21,592	53,389	97,565
Business acquisitions	47,895	167	3,401	208	9,900	1,154	62,725
Disposals	—	—	(50)	—	—	(100)	(150)
Transfers	—	501	1,358	92	3,885	(5,836)	—
Balance of September 30, 2021	<u>\$ 68,161</u>	<u>\$ 8,447</u>	<u>\$ 32,674</u>	<u>\$ 2,542</u>	<u>\$ 133,757</u>	<u>\$ 59,945</u>	<u>\$ 305,526</u>
<b>Accumulated depreciation</b>							
As of December 31, 2020	\$ (202)	\$ (1,626)	\$ (7,194)	\$ (664)	\$ (21,300)	\$ —	\$ (30,986)
Depreciation	(422)	(1,051)	(3,805)	(391)	(10,150)	—	(15,819)
Disposals	—	—	9	—	—	—	9
Balance of September 30, 2021	<u>\$ (624)</u>	<u>\$ (2,677)</u>	<u>\$ (10,990)</u>	<u>\$ (1,055)</u>	<u>\$ (31,450)</u>	<u>\$ —</u>	<u>\$ (46,796)</u>

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	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
<b>Cost</b>							
As of December 31, 2019	\$ 4,055	\$ 3,121	\$ 13,596	\$ 1,273	\$ 56,900	\$ 41,740	\$ 120,685
Additions	2,767	596	1,968	295	5,968	15,575	27,169
Business acquisitions	22	1,436	1,793	117	8,063	407	11,838
Disposals	(3,093)	—	—	—	(1,714)	(7,935)	(12,742)
Included in assets held for sale	—	(55)	(376)	(132)	(3,835)	—	(4,398)
Transfers	—	695	3,943	70	18,435	(23,143)	—
Balance of September 30, 2020	<u>\$ 3,751</u>	<u>\$ 5,793</u>	<u>\$ 20,924</u>	<u>\$ 1,623</u>	<u>\$ 83,817</u>	<u>\$ 26,644</u>	<u>\$ 142,552</u>

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
<b>Accumulated depreciation</b>							
As of December 31, 2019	\$ (154)	\$ (721)	\$ (3,410)	\$ (321)	\$ (12,045)	\$ —	\$ (16,651)
Depreciation	(36)	(597)	(2,672)	(230)	(6,767)	—	(10,302)
Disposals	—	—	—	—	9	—	9
Included in assets held for sale	—	8	25	16	366	—	415
Balance of September 30, 2020	<u>\$ (190)</u>	<u>\$ (1,310)</u>	<u>\$ (6,057)</u>	<u>\$ (535)</u>	<u>\$ (18,437)</u>	<u>\$ —</u>	<u>\$ (26,529)</u>

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Total depreciation expense for the period	\$ 6,138	\$ 3,715	\$ 15,819	\$ 10,302
Included in:				
Costs of sales related to inventory production		3,559	2,297	9,250
Selling, general and administrative expenses		2,579	1,418	6,569
				4,115

**9. OTHER NON-CURRENT ASSETS**

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

	September 30, 2021	December 31, 2020
Investment in real estate (Note 11)	\$ 41,629	\$ —
Long term deposits	5,434	9,271
Indemnification receivable	5,221	5,221
Investment in affiliates	1,214	1,446
Restricted cash	335	10,858
Interest receivable	—	1,000
<b>Other non-current assets</b>	<u>\$ 53,833</u>	<u>\$ 27,796</u>

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**10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Accrued acquisition and settlement of pre-existing relationships (Note 15)	\$ 75,309	\$ —
Accrued expenses	24,679	28,152
Real estate purchase obligation (Note 11)	12,500	—
Payroll liabilities	10,504	8,758
Other current liabilities	7,982	5,950
Accrued interest	4,597	—
<b>Accrued expenses and other current liabilities</b>	<b>\$ 135,571</b>	<b>\$ 42,860</b>

**11. SHAREHOLDERS' EQUITY**

In addition to the issuance of equity in connection with business acquisitions mentioned in Note 6 and conversion of debt mentioned in Note 5, the Company had the following activity during the nine months ended September 30, 2021:

- Closed a public offering that consisted of 18,572,000 Common Shares at a price of \$8.05 (Canadian Dollars) per common share for aggregate proceeds of \$111,789.
- Sold, on a bought deal private placement basis, 3,220,000 Common Shares at a price of \$9.00 (Canadian Dollars) per share for aggregate gross proceeds of \$21,770.
- Granted 3,198,199 time-based restricted stock units and 655,093 performance-based restricted stock units during nine months ended September 30, 2021.
- Issued 3,796,284 Common Shares upon vesting of RSU's. An additional 1,499,043 shares were sold to cover for taxes on the share-based compensation unit that were issued during the nine months ended September 30, 2021.
- Purchased real estate property in New York in April 2021 for \$29,129 comprising of cash consideration of \$15,687 and 2,545,857 Common Shares in the Company. The Company expects to acquire equipment at the same real estate property location in the last quarter of 2021 for an additional consideration of \$12,500. This additional consideration has been recorded within other non-current assets and accrued expenses and other current liabilities on the condensed interim consolidated statement of financial position. Upon the acquisition of the equipment, the Company will obtain control over the real estate property. Pending this, the entire purchase consideration has been recorded within other non-current assets on the condensed interim consolidated statement of financial position.

From January 1, 2020 through September 30, 2020 the Company had the following equity activity:

- On March 31, 2020, the Company granted 4,911,305 time-based restricted stock units and 1,720,511 performance-based restricted stock units.
- On June 18, 2020, the Company completed its acquisition of the remaining non-controlling interest in its Florida operation. Total consideration consisted of \$15,500 of which \$14,500 was satisfied by the issuance of 7,038,835 common shares and \$1,000 in cash.
- On August 12, 2020, 3,845,023 common share warrants were converted to 2,018,298 common shares in a cashless exercise.
- On September 1, 2020, the Company completed its acquisition of TGS and issued 32,955,987 common shares and 266,913 common shares were issued during the fourth quarter of 2020
- On September 28, 2020, 174,000 common share warrants were exercised for proceeds of \$388.

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**12. WARRANTS**

As of September 30, 2021 and December 31, 2020, outstanding equity-classified warrants to purchase Common Shares consisted of the following:

Expiration	September 30, 2021		December 31, 2020	
	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	921,753	\$ 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	1,998,788	2.95	2,250,188	2.95
May 14, 2023	—	4.53	300,000	4.53
May 14, 2023	1,897,000	5.84	1,909,000	5.84
	<u>11,662,766</u>	<u>\$ 7.15</u>	<u>13,147,919</u>	<u>\$ 6.91</u>

Warrant activity for each reporting period is summarized in the table below:

	Number of Warrants	Weighted average exercise price (Canadian Dollars)
<b>Balance as of December 31, 2019</b>	20,055,424	\$ 7.34
Issued	4,462,438	3.12
Exercised	(4,019,023)	2.25
Expired	(1,152,191)	5.71
<b>Balance as of September 30, 2020</b>	<u>19,346,648</u>	<u>\$ 7.52</u>
<b>Balance as of December 31, 2020</b>	13,147,919	\$ 6.91
Exercised	(1,485,153)	5.01
<b>Balance as of September 30, 2021</b>	<u>11,662,766</u>	<u>\$ 7.15</u>

**13. INCOME TAXES**

The Company's statutory U.S. federal income tax rate is 21%. The Company's provision for income taxes differs from applying the U.S. federal income tax rate to income before taxes primarily due to state income taxes, certain stock compensation, warrants accretion, tax credits and miscellaneous permanent differences.

Section 280E of the Internal Revenue Code ("IRC") prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for Federal purposes, the IRS has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. Non-deductible expenses are primarily comprised of the impact of applying IRC Sec. 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

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**14. LOSS PER SHARE**

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Numerator:</b>				
Net loss	\$ (37,183)	\$ (11,536)	\$ (63,387)	\$ (59,521)
Less: Net loss attributable to non-controlling interests	(998)	(681)	(1,628)	(4,422)
<b>Net loss attributable to shareholders</b>	<b>\$ (36,185)</b>	<b>\$ (10,855)</b>	<b>\$ (61,759)</b>	<b>\$ (55,099)</b>
<b>Denominator:</b>				
Weighted average shares outstanding - basic and diluted	325,416,684	235,682,767	311,446,922	223,461,261
<b>Loss per share - basic and diluted</b>	<b>\$ (0.11)</b>	<b>\$ (0.05)</b>	<b>\$ (0.20)</b>	<b>\$ (0.25)</b>

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.

**15. 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 is 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 is 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 have agreed to amicably resolve the arbitration and the additional lawsuit. There are no admissions of liability. In furtherance of the resolution, as of September 30, 2021 and December 31, 2020, the Company had a total accrual of \$22,800 and \$15,195, respectively.

In separate legal matter, a subsidiary of the Company, and certain members of the Company's management team are respondent parties in a confidential arbitration before the American Arbitration Association. The arbitration was



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initiated on October 24, 2019, by an investor (the “Claimant”) in a third-party entity, which, in turn, is an investor in a separate third-party entity for which certain members of the Company’s management team are managers and to which the Company provides operating services pursuant to a written agreement. Claimant asserted direct, derivative, and double derivative claims against the respondent parties. The arbitration follows from a prior case filed by the Claimant on November 30, 2018, in the New York Supreme Court, Commercial Division (the “New York Proceeding”) asserting similar claims as are at issue in the arbitration. In the New York Proceeding, the Claimant sought, among other remedies, preliminary injunctive relief to enjoin the Company’s RTO. On April 15, 2019, the New York Supreme Court, Commercial Division, finally denied Claimant’s request for temporary restraining orders and preliminary injunctive relief, as well as compelled the dispute to arbitration. The Appellate Division, First Department affirmed those orders. The Company’s subsidiary and the members of the Company’s management team who are parties to the case have asserted defenses in respect of the allegations in the arbitration. However, there can be no assurance that they will be successful in pursuing such defenses and if they are not successful in establishing such defenses that the direct or indirect losses will not be material. The hearing commenced in the arbitration on February 3, 2021 and concluded March 22, 2021, with closing arguments occurring on June 3, 2021. The parties and other interest holders in the third-party entities are attempting to amicably resolve the matter and have reached a preliminary agreement, with no admissions of liability, that is subject to approval by the Arbitrator. During the period ended September 30, 2021, the Company 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 the third-party entities and other litigation costs. There can be no assurances that the proceedings will be amicably resolved, whether the Arbitrator will approve any settlement, when any underlying acquisition would close, or whether the ultimate result will exceed or be less than the amount that has been accrued.

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.

**16. FAIR VALUE MEASUREMENTS*****Financial Instruments***

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

<b>September 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative liability	\$ —	\$ —	\$ (13,321)	\$ (13,321)
Contingent consideration	—	—	(100,956)	(100,956)
Biological assets	—	—	59,662	59,662
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (54,615)</u>	<u>\$ (54,615)</u>
<b>December 31, 2020</b>				
Derivative liability	\$ —	\$ —	\$ (17,109)	\$ (17,109)
Contingent consideration	—	—	(48,202)	(48,202)
Biological assets	—	—	18,752	18,752
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (46,559)</u>	<u>\$ (46,559)</u>

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

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

<b>Financial asset/financial liability</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
Derivative liability	Market approach	Conversion Period	Increase or decrease in conversion period will result in an increase or decrease in fair value
Biological assets	Market approach	Market prices of cannabis products, days in growth cycle, stage of completion in growth cycle, yield, costs to sell	Increase or decrease in market prices of cannabis products, days in growth cycle, stage of completion in growth cycle, yield, costs to sell will result in an increase or decrease in fair value
Contingent Consideration	Market 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, other current assets, accounts payable, accrued expenses and other current liabilities and current portion of long-term debt and lease liability as of September 30, 2021 and December 31, 2020 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.

***Financial Risk Management***

The Company's long-term debt approximates fair value due to the market rate of interest used on initial recognition. The carrying value of notes receivable approximates fair value due to their historical collectability.

The Company is exposed in varying degrees to a variety of financial instrument related risks. A description of the Company's risk exposures and the impact on the Company's financial instruments is summarized below.

***Credit Risk***

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of September 30, 2021 and December 31, 2020 is the carrying amount of cash, notes receivable and accounts receivable. The Company provides credit to its 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 its sales are transacted with cash and as such, the Company does not have significant credit risk with respect to its customers. Through the Company's Columbia Care National Credit program, the Company provides credit to customers in certain markets in which the Company operates.

The risk exposure is limited to the carrying amounts at the statement of financial position date. The risk to cash deposits is mitigated by holding these instruments with regulated financial institutions. The Company periodically assesses the quality of the credit rating of these financial institutions. Notes receivable and trade accounts receivable credit risk arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by

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managing and monitoring the underlying business relationships.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to estimate cash requirements from operations, capital expenditures and investments and ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's cash deposits bear interest at market rates. The notes receivable and long-term debt bear a fixed rate of interest and therefore there is no interest rate risk associated with them.

*Foreign Exchange Risk*

Except for the derivative liability associated with the convertible debt, the Company does not have any significant financial instruments denominated in currencies other than the U.S. dollar and as such is not subject to significant foreign currency risk.

*Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to risk of prices to its products due to competitive or regulatory pressures.

**17. INTANGIBLE ASSETS**

Intangible assets consist of the following:

	<b>Licenses</b>	<b>Trademarks</b>	<b>Customer relationships</b>	<b>Total</b>
<b>Cost</b>				
As of December 31, 2020	\$ 68,194	\$ 33,043	\$ 3,286	\$ 104,523
Acquisitions	134,933	29,791	16,175	180,899
Balance of September 30, 2021	<u>\$ 203,127</u>	<u>\$ 62,834</u>	<u>\$ 19,461</u>	<u>\$ 285,422</u>
<b>Accumulated amortization</b>				
As of December 31, 2020	\$ (3,097)	\$ (1,028)	\$ (56)	\$ (4,181)
Amortization	(9,404)	(4,457)	(907)	(14,768)
Balance of September 30, 2021	<u>\$ (12,501)</u>	<u>\$ (5,485)</u>	<u>\$ (963)</u>	<u>\$ (18,949)</u>
<b>Cost</b>				
As of December 31, 2019	\$ 16,235	\$ —	\$ —	\$ 16,235
Acquisitions	66,777	27,475	50	94,302
Balance of September 30, 2020	<u>\$ 83,012</u>	<u>\$ 27,475</u>	<u>\$ 50</u>	<u>\$ 110,537</u>

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	Licenses	Trademarks	Customer relationships	Total
<b>Accumulated amortization</b>				
As of December 31, 2019	\$ (540)	\$ —	\$ —	\$ (540)
Amortization	(1,369)	(229)	(1)	(1,599)
Balance of September 30, 2020	<u>\$ (1,909)</u>	<u>\$ (229)</u>	<u>\$ (1)</u>	<u>\$ (2,139)</u>

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Amortization for the period included in selling, general and administrative expenses	\$ 8,841	\$ 1,057	\$ 14,768	\$ 1,599

**18. ASSETS HELD FOR SALE**

During the three months ended September 30, 2021, the Company reduced to zero, the carrying value of an asset group that was previously held for sale. This resulted in the recognition of a net loss on disposal group of \$2,000 during the three months ended September 30, 2021.

**19. OTHER EXPENSE, NET**

Other expense, net is summarized in the table below:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Acquisition and settlement of pre-existing relationships	\$ 75,309	\$ —	\$ 75,309	\$ —
Change in fair value of contingent consideration	(23,583)	—	(23,583)	—
Loss on disposal group	2,000	—	2,000	1,968
Other expense	55	—	69	164
<b>Other expense, net</b>	<u>\$ 53,781</u>	<u>\$ —</u>	<u>\$ 53,795</u>	<u>\$ 2,132</u>

**20. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to ensure that there are adequate capital resources to ensure the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities.

The capital structure of the Company consists of items included in equity and debt. The Company manages its capital structure to maximize its financial flexibility and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. With the exception of the Company's debt related activity as mentioned in Note 5 and equity related activity as mentioned in Note 11, there were no changes to the Company's capital management during the three and nine months ended September 30, 2021.

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**21. NON-CONTROLLING INTERESTS**

During the year ended December 31, 2020, Columbia Care International Holdco LLC, a consolidated subsidiary of the Company, issued membership interests of five percent to an unrelated party in consideration for \$5,509. In April 2021, the Company issued 783,805 common shares to the unrelated party to buyout their non-controlling interest in Columbia Care International Holdco LLC.

During the three months ended June 30, 2021, the Company acquired the outstanding non-controlling interests in Columbia Care Ohio LLC. Post this acquisition, Columbia Care Ohio LLC became a wholly owned subsidiary of the Company.

**22. SUBSEQUENT EVENTS**

The Company has evaluated all events and transactions that occurred after September 30, 2021 through the filing of these condensed interim consolidated financial statements. With the exception of the subsequent acquisition-related activity described in Note 6 and Note 11, no events have occurred that would require adjustment to the disclosures in these condensed interim consolidated financial statements.