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DAVIDSON & COMPANY LLP ——— Chartered Professional Accountants ———

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors of
Columbia Care Inc.

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Columbia Care Inc. and its subsidiaries (together "the Company"), as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2021, December 31, 2020, and December 31, 2019 and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Columbia Care Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2021, December 31, 2020, and December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**/s/ DAVIDSON & COMPANY LLP**

Vancouver, Canada — Chartered Professional Accountants

March 30, 2022

We have served as the Company's auditor since 2019.

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**COLUMBIA CARE INC.**

CONSOLIDATED BALANCE SHEETS

(expressed in thousands of U.S. dollars, except share data)

| | As of | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| **Assets** | | |
| Current assets: | | |
| Cash | $ 82,198 | $ 61,111 |
| Accounts receivable, net of allowances of $2,542 and $2,053, respectively | 18,302 | 7,415 |
| Inventory | 94,567 | 54,804 |
| Prepaid expenses and other current assets | 29,252 | 11,430 |
| Assets held for sale | 2,120 | 3,483 |
| Total current assets | 226,439 | 138,243 |
| Property and equipment, net | 339,692 | 114,400 |
| Right of use assets—operating leases, net | 179,099 | 143,050 |
| Right of use assets—finance leases, net | 66,442 | 50,105 |
| Goodwill | 184,018 | 137,759 |
| Intangible assets, net | 367,787 | 100,342 |
| Other non-current assets | 13,035 | 43,628 |
| Total assets | $1,376,512 | $ 727,527 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 44,007 | $ 18,466 |
| Accrued expenses and other current liabilities | 126,954 | 42,860 |
| Income tax payable | 26,537 | 2,386 |
| Contingent consideration | 29,345 | 48,202 |
| Current portion of lease liability—operating leases | 9,056 | 7,913 |
| Current portion of lease liability—finance leases | 5,092 | 2,023 |
| Current portion of long-term debt, net | 1,884 | 8,439 |
| Derivative liability | — | 17,109 |
| Liabilities held for sale | 1,122 | 1,483 |
| Total current liabilities | 243,997 | 148,881 |
| Long-term debt, net | 159,017 | 76,090 |
| Deferred taxes | 79,477 | 2,347 |
| Long-term lease liability—operating leases | 176,004 | 138,256 |
| Long-term lease liability—finance leases | 70,268 | 62,486 |
| Contingent consideration | 11,596 | — |
| Derivative liability | 6,795 | — |
| Other long-term liabilities | 78,535 | 12,518 |
| Total liabilities | 825,689 | 440,578 |
| Stockholders' Equity: | | |
| Common Stock, no par value, unlimited shares authorized as of December 31, 2021 and December 31, 2020, respectively, 361,423,270 and 250,003,917 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively | — | — |
| Preferred Stock, no par value, unlimited shares authorized as of December 31, 2021 and December 31, 2020, respectively, none issued and outstanding as of December 31, 2021 and December 31, 2020 | — | — |
| Proportionate voting shares, no par value, unlimited shares authorized as of December 31, 2021 and December 31, 2020, respectively; 14,729,636 and 26,507,914 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively | — | — |
| Additional paid-in-capital | 1,039,726 | 632,062 |
| Accumulated deficit | (468,335) | (325,238) |
| Equity attributable to Columbia Care Inc. | 571,391 | 306,824 |
| Non-controlling interest | (20,568) | (19,875) |
| Total equity | 550,823 | 286,949 |
| Total liabilities and equity | $1,376,512 | $ 727,527 |

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

**COLUMBIA CARE INC.**

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

| | Year Ended | | |
|---|---|---|---|
| | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Revenues | $ 460,080 | $ 179,503 | $ 77,459 |
| Cost of sales related to inventory production | (258,402) | (114,249) | (57,777) |
| Cost of sales related to business combination fair value adjustments to inventories | (7,663) | (3,111) | — |
| Gross profit | 194,015 | 62,143 | 19,682 |
| Goodwill impairment | 72,328 | — | — |
| Selling, general and administrative expenses | 232,052 | 142,355 | 123,586 |
| Total operating costs | 304,380 | 142,355 | 123,586 |
| Loss from operations | (110,365) | (80,212) | (103,904) |
| Other expense: | | | |
| Interest (expense) income on leases, net | (5,280) | (1,466) | — |
| Interest (expense) income, net | (24,734) | (4,870) | 1,241 |
| Other (expense) income, net | (6,335) | (49,298) | 2,992 |
| Total other (expense) income | (36,349) | (55,634) | 4,233 |
| Loss before provision for income taxes | (146,714) | (135,846) | (99,671) |
| Income tax (expense) benefit | (139) | 16,197 | (1,503) |
| Net loss and comprehensive loss | (146,853) | (119,649) | (101,174) |
| Net loss attributable to non-controlling interests | (3,756) | (23,862) | (4,909) |
| Net loss attributable to shareholders | $ (143,097) | $ (95,787) | $ (96,265) |
| Weighted-average number of shares used in earnings per share—basic and diluted | 338,754,694 | 232,576,117 | 209,992,187 |
| Earnings attributable to shares (basic and diluted) | $ (0.42) | $ (0.41) | $ (0.46) |

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

**COLUMBIA CARE INC.**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

| | Units | Common Shares | Proportionate Voting Shares | Additional Paid-in Capital | Accumulated Deficit | Total Columbia Care Inc. Shareholders' Equity | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance, December 29, 2018** | **14,449,736** | **—** | **—** | **$ 266,548** | **$(111,264)** | **$ 155,284** | **$ 546** | **155,830** |
| Debt conversion and settlement | 27,561 | — | — | 2,537 | — | 2,537 | — | 2,537 |
| Issuance of shares in connection with reverse takeover transaction and private placement | — | 19,077,096 | — | 120,193 | — | 120,193 | — | 120,193 |
| Share issuance costs | — | — | — | (5,598) | — | (5,598) | — | (5,598) |
| Repurchase of shares | — | (424,047) | — | (2,414) | — | (2,414) | — | (2,414) |
| Unit issuance costs | 2,490 | — | — | — | — | — | — | — |
| Warrants exercised | 159,325 | — | — | 2 | — | 2 | — | 2 |
| Conversion of units and profit interests | (14,639,112) | 34,563,850 | 162,337,268 | — | — | — | — | — |
| Conversion between classes of shares | — | 62,864,293 | (62,864,293) | — | — | — | — | — |
| Cancellation of restricted stock awards | — | — | (119,995) | — | — | — | — | — |
| Equity-based compensation[(1)] | — | 473,770 | — | 32,896 | — | 32,896 | — | 32,896 |
| Reclass of deferred compensation to equity | — | — | — | 15,311 | — | 15,311 | — | 15,311 |
| Non-controlling interest buyouts | — | 621,239 | — | — | (1,860) | (1,860) | 1,860 | — |
| Net loss | — | — | — | — | (96,265) | (96,265) | (4,909) | (101,174) |
| **Balance as of December 31, 2019** | **—** | **117,176,201** | **99,352,980** | **429,475** | **(209,389)** | **220,086** | **(2,503)** | **217,583** |
| Issuance of shares in connection with acquisitions | — | 48,936,767 | — | 147,795 | — | 147,795 | — | 147,795 |
| Warrants issued with debt | — | — | — | 6,298 | — | 6,298 | — | 6,298 |
| Warrants exercised | — | 2,192,298 | — | 388 | — | 388 | — | 388 |
| Cancellation of restricted stock awards | — | — | (37,314) | — | — | — | — | — |
| Conversion between classes of shares | — | 72,807,752 | (72,807,752) | — | — | — | — | — |
| Equity-based compensation[(1)] | — | 1,852,064 | — | 29,805 | — | 29,805 | — | 29,805 |
| Sale of membership interests in subsidiary | — | — | — | — | — | — | 5,509 | 5,509 |
| Deconsolidation of subsidiary | — | — | — | — | — | — | 220 | 220 |
| Non-controlling interest buyouts | — | 7,038,835 | — | 18,301 | (20,062) | (1,761) | 761 | (1,000) |
| Net loss | — | — | — | — | (95,787) | (95,787) | (23,862) | (119,649) |
| **Balance as of December 31, 2020** | **—** | **250,003,917** | **26,507,914** | **632,062** | **$(325,238)** | **$ 306,824** | **$(19,875)** | **$ 286,949** |
| Equity-based compensation[(1)] | — | 5,880,944 | — | 21,318 | — | 21,318 | — | 21,318 |
| Issuance of shares, net | — | 21,792,500 | — | 133,196 | — | 133,196 | — | 133,196 |
| Issuance of shares in connection with acquisitions | — | 59,960,743 | — | 206,540 | — | 206,540 | — | 206,540 |
| Issuance of shares in connection with purchase of assets | — | 6,708,270 | — | 23,853 | — | 23,853 | — | 23,853 |
| Conversion of convertible notes | — | 4,550,139 | — | 23,919 | — | 23,919 | — | 23,919 |
| Conversion between classes of shares | — | 11,761,404 | (11,761,404) | — | — | — | — | — |
| Cancellation of restricted stock awards | — | (48,590) | (16,874) | — | — | — | — | — |
| Warrants exercised | — | 813,943 | — | 1,901 | — | 1,901 | — | 1,901 |
| Non-controlling interests buyouts | — | — | — | (3,063) | — | (3,063) | 3,063 | — |
| Net loss | — | — | — | — | (143,097) | (143,097) | (3,756) | (146,853) |
| **Balance as of December 31, 2021** | **—** | **361,423,270** | **14,729,636** | **1,039,726** | **$(468,335)** | **$ 571,391** | **$(20,568)** | **$ 550,823** |

(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 consolidated financial statements.

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

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| **Cash flows from operating activities:** | | | |
| Net loss | $(146,853) | $(119,649) | $(101,174) |
| Adjustments to reconcile net loss to net cash (used in) operating activities: | | | |
| Depreciation and amortization | 53,002 | 19,651 | 8,690 |
| Equity-based compensation | 25,018 | 29,805 | 32,896 |
| Debt amortization expense | 6,068 | 2,189 | 18 |
| Loss on conversion of Convertible Notes | 1,580 | — | — |
| Provision for obsolete inventory and other assets | 2,356 | — | — |
| Goodwill impairment charges | 72,328 | — | — |
| Impairment on disposal group | 2,000 | 1,969 | — |
| Deferred compensation | — | — | 5,509 |
| (Gain) / loss on remeasurement of contingent consideration | (59,362) | 21,757 | — |
| Deferred taxes | (26,112) | (20,998) | 28 |
| Change in fair value of derivative liability | (13,286) | 11,745 | — |
| Other | 1,314 | 3,858 | (914) |
| Changes in operating assets and liabilities, net of acquisitions | | | |
| Accounts receivable | (6,333) | (4,574) | (177) |
| Inventory | (18,033) | (17,258) | (12,667) |
| Prepaid expenses and other current assets | 28,445 | (2,747) | (5,147) |
| Other assets | 15,331 | 13,490 | 5,853 |
| Accounts payable | 7,954 | 5,381 | 3,241 |
| Accrued expenses and other current liabilities | 64,765 | 15,945 | (2,501) |
| Income taxes payable | 3,645 | 2,387 | (29) |
| Other long-term liabilities | (14,350) | (12,601) | (673) |
| Net cash used in operating activities | (523) | (49,650) | (67,047) |
| **Cash flows from investing activities:** | | | |
| Cash paid for acquisitions, net of cash acquired / Cash acquired due to acquisition | (50,762) | 3,821 | — |
| Purchases of property and equipment | (117,506) | (42,885) | (77,445) |
| Cash paid for other assets | (15,792) | — | — |
| Proceeds from sale of property | 386 | 11,927 | 19,614 |
| Cash received (paid) on deposits, net | (7,019) | 988 | (2,926) |
| Cash for loan under CannAscend and Corsa Verde agreements | (657) | (1,173) | (11,511) |
| Purchase of investments | — | — | (446) |
| Issuance of note receivable | — | — | (17,420) |
| Net cash used in investing activities | (191,350) | (27,322) | (90,134) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of debt and warrants | 71,520 | 89,379 | — |
| Proceeds from mortgage note | 20,000 | — | — |
| Payment of debt issuance costs | (865) | (3,548) | — |
| Repayment of debt | (9,950) | — | (1,795) |
| Proceeds from sale leaseback | — | — | 5,709 |
| Payment of lease liabilities | (9,664) | (734) | — |
| Issuance of common shares | 133,559 | — | 114,595 |
| Proceeds from issuance of common units and warrants | — | — | 42,764 |
| Costs of issuance of common shares | (364) | — | — |
| Repurchase of common shares | — | — | (2,414) |
| Exercise of warrants | 1,901 | 388 | 2 |
| Sale of membership interests of subsidiary | — | 5,509 | — |
| Purchase of non-controlling interest | — | (1,000) | — |
| Taxes paid on equity based compensation | (3,700) | — | — |
| Net cash provided by financing activities | 202,437 | 89,994 | 158,861 |

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

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

| | Year Ended | | |
|---|---|---|---|
| | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| **Net increase in cash** | 10,564 | 13,022 | 1,680 |
| Cash and restricted cash at beginning of the year | 71,969 | 58,947 | 57,267 |
| Cash and restricted cash at end of year | $82,533 | $71,969 | $58,947 |
| **Supplemental disclosure of cash flow information:** | | | |
| Cash paid for interest on other obligations | $19,340 | $ 5,356 | $ 147 |
| Cash paid for income taxes | $22,556 | $ 7,694 | $ 2,534 |
| **Reconciliation of cash and cash equivalents and restricted cash:** | | | |
| Cash | $82,198 | $61,111 | $47,464 |
| Restricted cash | $ 335 | $10,858 | $11,483 |
| Cash and restricted cash, end of period | $82,533 | $71,969 | $58,947 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | | |
| Non-cash fixed asset additions within accounts payable and accrued expenses | $14,826 | $13,084 | $14,797 |
| Issuance of warrants | $ — | $ 6,298 | $ — |
| Shares issued in connection with conversion of Convertible Notes into equity, net | $23,919 | $ — | $ — |
| Extinguishment of derivative liability upon conversion of Convertible Notes | $23,853 | $ — | $ — |
| Debt incurred issued in connection with acquisition of property, plant and equipment | $ 7,000 | $ — | $ — |
| Derivative liability recognized upon issuance of convertible debt | $15,099 | $ 5,364 | $ — |
| Shares issued in connection with finalization of working capital on acquisition | $ 228 | $ — | $ — |
| Shares issued in connection with satisfaction of contingent consideration | $48,202 | $ — | $ — |
| Intercompany note receivable with TGS assumed in connection with acquisition | $ — | $16,855 | $ — |
| Buyout of non-controlling interest by issuance of shares | $ 1,959 | $ — | $ — |
| Deconsolidation of subsidiary | $ — | $ 220 | $ — |
| Reclass of deferred compensation to equity | $ — | $ — | $15,311 |
| Conversion of convertible debt and accrued interest to equity | $ — | $ — | $ 2,537 |
| Assets held for sale | $ 2,120 | $ 3,483 | $ — |
| Liabilities held for sale | $ (1,122) | $ (1,483) | $ — |

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

## 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 further described in Note 3. 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).

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 by the pandemic during the year ended of December 31, 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 September 30, 2022. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of preparation***

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019. Beginning with its 2019 fiscal year, the Company changed its financial reporting cycle from a 4-4-5 week reporting cycle that ends on the Saturday nearest to December 31 to a calendar reporting cycle. Accordingly, the Company's 2019 fiscal year began on December 29, 2018 and ended on December 31, 2019.

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

The preparation of the Company's 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.

***Basis of Consolidation***

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, its partially-owned subsidiaries, and those controlled by the Company by virtue of agreements, on a consolidated basis after elimination of intercompany transactions and balances. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee, and when the Company has the ability to affect those returns through its power over the investee. The financial statements of entities controlled by the Company by virtue of agreements are fully consolidated from the date that control commences and deconsolidated from the date control ceases.

***Investment in affiliates***

The Company has investments in business entities, including general or limited partnerships, contractual ventures, or other forms of equity participation. The Company determines whether such investments involve

a variable interest entity ("VIE") based on the characteristics of the subject entity. If the entity is determined to be a VIE and the Company is determined to be the primary beneficiary of the entity, the Company consolidates the VIE and the other party's equity interest in the VIE is accounted for as a noncontrolling interest.

The Company generally accounts for investments it makes in VIEs in which it has determined that it does not have a controlling financial interest but has significant influence over and holds at least a 20% ownership interest using the equity method. Any such investment not meeting the parameters to be accounted under the equity method would be accounted for using the cost method unless the investment had a readily determinable fair value, at which it would then be reported. Investments in unconsolidated VIEs are recorded in non-current assets on the consolidated balance sheets. Income from affiliates is immaterial for the period presented.

If an entity fails to meet the characteristics of a VIE, the Company then evaluates such entity under the voting model. Under the voting model, the Company consolidates the entity if they determine that they, directly or indirectly, have greater than 50% of the voting shares, and determine that other equity holders do not have substantive participating rights.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal, or value in use) and charged to the consolidated

***Non-controlling Interests***

Non-controlling interests ("NCI") represent equity interests owned by outside parties. The Company elected to measure each NCI at its proportionate share of the recognized amounts of the acquiree's identifiable net assets. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

***Segment, geographic areas and customers information***

The Company has determined that it operates in a single operating and reportable segment, the production and sale of cannabis. This is consistent with how the chief operating decision maker allocates resources and assesses performance. The Company's products have similar characteristics due to the same raw material ingredient (cannabis), similar nature of cultivation process, the type or class of customer and the regulatory nature of the industry. Revenues from transactions with no single external customer exceed 10% of the consolidated revenues.

Revenue earned outside of the United States of America is immaterial for the years ended December 31, 2021, 2020, and 2019. Long-lived assets located outside of the United States of America are immaterial as on December 31, 2021 and 2020.

***Significant concentrations***

The following table lists the states where the revenue represented 10% or more of the total revenue in the Company's consolidated statement of operations:

| | Year Ended | | |
|---|---|---|---|
| | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Colorado | 21.8% | 21.3% | * |
| Pennsylvania | 11.5% | 19.5% | 20.6% |
| California | 11.5% | * | * |
| Massachusetts | 10.3% | 19.8% | 39.3% |
| Arizona | * | * | 14.8% |
| New York | * | * | 13.0% |

- State's revenue is not greater than or equal to 10% of the total consolidated revenue during the specific period.

***Functional currency***

The Canadian dollar serves as the functional currency of the Parent. All of the Company's subsidiaries have the U.S. dollar as their functional currency. These consolidated financial statements are presented in U.S. dollars. The translation adjustment that arises as a result of the functional currency of the Parent being different than the subsidiaries is de minimis. Also, transaction gains and losses are not material.

***Contingencies***

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, product and environmental liability. The Company records accruals for those loss contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Company records a contingent gain when all of the following conditions have been met: (a) the amount to be paid to the Company is known, (b) there is no potential for appeal or reversal, and (c) collectability is reasonably assured.

***Basis of measurement***

These consolidated financial statements were prepared on a going concern basis, at historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting principles below. Other measurement bases are described in the applicable notes. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

***Business combinations***

The Company accounts for business combinations under the acquisition method of accounting, which requires it to recognize separately from goodwill, the assets acquired and the liabilities assumed at fair value as of the acquisition date. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, estimates are inherently uncertain and subject to refinement. As a result, during the measurement

period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in the Company's consolidated statements of operations. Accounting for business combinations requires the Company to make significant estimates and assumptions, especially at the acquisition date including estimates for intangible assets, contractual obligations assumed, pre-acquisition contingencies, and contingent consideration, where applicable. Although the Company believes the assumptions and estimates it has made in the past have been reasonable and appropriate, they are based, in part, on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain acquired intangible assets under the income approach include growth in future expected cash flows from product sales, customer contracts, revenue growth rate, customer ramp-up period and discount rates. Unanticipated events and circumstances may occur that could affect the accuracy or validity of such assumptions, estimates or actual results.

***Cash and cash equivalents***

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash. As of December 31, 2021 and 2020, the Company did not have any cash equivalents.

***Restricted cash***

Restricted cash primarily consists of escrow deposits related to acquisition activity and other contractual obligations.

***Inventory***

Inventory is comprised of raw materials, finished goods and work-in-progress such as pre-harvested cannabis plants and by-products to be extracted. The costs of growing cannabis, including but not limited to labor, utilities, nutrition and irrigation, are capitalized into inventory until the time of harvest.

Inventory is stated at the lower of cost or net realizable value, with cost determined using weighted average cost specific to each subsidiary. Cost includes costs directly related to manufacturing and distribution of the products. These costs include raw materials, packaging, direct labor, overhead, shipping and the depreciation of manufacturing equipment and production facilities determined at normal capacity. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes.

Net realizable value is determined as the estimated average selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. At the end of each reporting period, the Company performs an assessment of inventory obsolescence and to measure inventory at the lower of cost or net realizable value. Factors considered in the determination of obsolescence include slow-moving or non-marketable items.

***Assets and liabilities held for sale***

The Company classifies its long-lived assets and related liabilities to be sold as held for sale in the period (i) it has approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in

its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, the Company no longer records depreciation expense on the asset. The Company assesses the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale.

***Property and equipment***

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts, considering factors such as economic and market conditions and the useful lives of assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

| | Estimated Useful life |
|---|---|
| **Buildings** | 40 years |
| **Furniture and fixtures** | 5 years |
| **Equipment** | 5 years |
| **Computers and software** | 3 years |
| **Leasehold improvements** | Shorter of the life of the lease or economic life |

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively if appropriate. Construction in progress is measured at cost and reflects amounts incurred for property or equipment construction or improvements that have not been placed in service. Upon completion, construction in progress will be reclassified as building or leasehold improvements depending on the nature of the assets and depreciated over the estimated useful life of the asset.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of operations and comprehensive loss in the year the asset is de-recognized.

Leasehold improvements are depreciated over the terms of the leases when placed in service.

***Intangible assets and goodwill***

The Company records goodwill and intangible assets acquired in business combination at their fair values, which are derived primarily using market and income approach valuation techniques. These measurements include the following key assumptions: (1) forecasted revenues, expenses and cash flows, (2) terminal period revenue growth and cash flows, (3) an estimated weighted average cost of capital, (4) assumed

discount rates depending on the asset, (5) royalty rates, (6) start-up costs, (7) customer recurring revenue rates and (8) a tax rate. These assumptions are consistent with those that hypothetical market participants would use. Because the Company is required to make estimates and assumptions when evaluating goodwill and indefinite-lived intangible assets for impairment, actual transaction amounts may differ materially from these estimates. Additionally, if these estimates or their related assumptions change in the future, the Company may be required to record impairment for these assets.

Subsequent to acquisition, intangible assets are recorded at net of accumulated amortization and impairment losses, if any. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, as follows:

| | Estimated Useful life |
|---|---|
| **Licenses and Permits** | 10-15 years |
| **Trademarks and Tradenames** | 5-10 years |
| **Customer relationships** | 5-7 years |

The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. The Company defines each state in which it operates as its reporting unit. Goodwill is allocated to each identified reporting unit, which is the state (one level below the operating segment).

Goodwill is not amortized and is tested for impairment at least annually or more often, if and when circumstances indicate that goodwill may be impaired. This includes but is not limited to significant adverse changes in the business climate, market conditions, or other events that indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value.

***Goodwill impairment test***

In accordance with the accounting standards, an entity has the option first to assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that goodwill or an indefinite-lived intangible asset is impaired. If after such assessment an entity concludes that the asset is not impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the asset using a quantitative impairment test, and if impaired, the associated assets must be written down to fair value.

The quantitative impairment test for goodwill compares the fair value of a reporting unit with the carrying value of its net assets, including goodwill. If the fair value of the reporting unit is less than the carrying value of the reporting unit, an impairment charge would be recorded to the Company’s operations, for the amount in which the carrying amount exceeds the reporting unit’s fair value. The estimate of fair value requires the use of significant unobservable inputs, representative of a Level 3 fair value measurement. The Company determines fair values for each reporting unit using the income approach, when available and appropriate, the market approach, or a combination of both. The income approach involves forecasting projected financial information (such as revenue growth rates, profit margins, tax rates, working capital and capital expenditures) and selecting a discount rate that reflects the risk inherent in estimated future cash flows. Under the market approach, the fair value is based on observed market data. If multiple valuation methodologies are used, the results are weighted appropriately.

The Company performs an annual assessment of its goodwill as of October 1, or more frequently, to determine if any events or circumstances exist, such as an adverse change in business climate or a decline in overall industry demand, that would indicate that it would more likely than not reduce the fair value of a reporting unit below its carrying amount, including goodwill.

***Recoverability of Long-lived Assets***

The Company evaluates the recoverability of its long-lived tangible and intangible assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Such trigger events or changes in circumstances may include: a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate, including those resulting from technology advancements in the industry, the impact of competition or other factors that could affect the value of a long-lived asset, a significant adverse deterioration in the amount of revenue or cash flows expected to be generated from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable and the expected undiscounted future cash flows attributable to the asset group are less than the carrying amount of the asset group, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based upon estimated discounted future cash flows.

As further discussed in Note 19, the Company conducted a quantitative impairment analysis as at October 1, 2021, using a recoverability test at the Colorado, California and Pennsylvania reporting units level. No impairment loss was recognized for long-lived assets as result of this quantitative impairment analysis.

***Income taxes***

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement and tax bases of assets and liabilities and are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company routinely evaluates the likelihood of realizing the benefit of its deferred tax assets and may record a valuation allowance if, based on all available evidence, it determines that some portion of the tax benefit will not be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company recognizes deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would not be able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is

recorded. If the company later realizes it would be able to realize its deferred tax assets in the future in excess of the net recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) 740 on the basis of a two-step process in which (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than- not recognition threshold, the Company would recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Irrespective of indemnification clauses pertaining to unrecognized tax benefits related to the Company’s acquisitions, the Company recognizes interest and penalties related to unrecognized tax benefits in the income tax expense.

***Advertising and promotion costs***

Advertising and promotion costs are expensed as incurred. During the years ended December 31, 2021, 2020 and 2019 the Company incurred $16,255, $6,083 and $5,792, respectively in advertising and promotion costs, which are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

***Sale-leaseback transactions***

From time to time, the Company may enter into sale-leaseback transactions to finance certain property acquisitions and capital expenditures, pursuant to which the Company sells the property to a third party and agrees to lease the property back for a certain period of time. To determine whether the transfer of the property should be accounted for as a sale, the Company evaluates whether it has transferred control to the third party in accordance with the revenue recognition guidance set forth in ASC 606.

If the transfer of the asset is deemed to be a sale at market terms, the Company recognizes the transaction price for the sale based on the cash proceeds received, derecognizes the carrying amount of the underlying asset and recognizes a gain or loss in the consolidated statements of operations and comprehensive loss for any difference between the carrying value of the asset and the transaction price. The Company then accounts for the leaseback in accordance with its lease accounting policy.

If the transfer of the asset is determined not to be a sale at market terms, the Company accounts for the transaction as a financing arrangement, and accordingly no equipment sale is recognized. The Company retains the historical costs of the property and the related accumulated depreciation on its books and continues to depreciate the property over the lesser of its remaining useful life or its initial lease term. The asset is presented within property and equipment, net on the consolidated balance sheets. All proceeds from these transactions are accounted for as finance obligations and presented as non-current obligation on the consolidated balance sheets. A portion of the lease payments is recognized as a reduction of the financing obligation and a portion is recognized as interest expense based on an imputed interest rate.

***Right of use assets and lease liability***

The Company has entered into lease agreements for certain facilities, vehicles and equipment, which provide the right to use the underlying asset and require lease payments over the term of the lease. At

inception of the lease agreement, the Company assesses whether the agreement conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. Each lease is further analyzed to check whether it meets the classification criteria of a finance or operating lease. All identified leases are recorded on the consolidated balance sheet with a corresponding lease right-of-use asset, net, representing the right to use the underlying asset for the lease term and the operating lease liabilities representing the obligation to make lease payments arising from the lease. The Company has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. Lease right-of-use assets, net and lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. The present value of lease payments is determined primarily using the incremental borrowing rate based on the information available as of the lease commencement date.

Lease expense for operating leases is recorded on a straight-line basis over the lease term and variable lease costs are recorded as incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Finance lease interest expense is recognized based on an effective interest method and depreciation of assets is recorded on a straight-line basis over the shorter of the lease term and useful life of the asset. Both operating and finance lease right of use assets are reviewed for impairment, consistent with other long-lived assets, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. After a right of use asset is impaired, any remaining balance of the asset is amortized on a straight-line basis over the shorter of the remaining lease term or the estimated useful life.

***Revenue recognition***

*Performance Obligations*

The Company recognizes revenue from sales when it satisfies its performance obligations by transferring control of promised products to its customers, which occurs at a point in time when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the products. Revenue from the Company's retail business is recognized when the customer takes physical possession of the products, which occurs at the point of sale for merchandise purchased at the Company's own retail stores, or upon shipment for merchandise ordered through online websites. Such revenues are recorded net of estimated returns based on historical trends.

Revenue from the Company's wholesale business is generally recognized upon shipment of products, at which point title passes and risk of loss is transferred to the customer.

The Company's revenues are disaggregated as follows:

| | Year Ended | | |
|---|---|---|---|
| | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Dispensary | $376,582 | $164,011 | $70,580 |
| Cultivation and wholesale | 83,180 | 15,347 | 6,780 |
| Other | 318 | 145 | 99 |
| | $460,080 | $179,503 | $77,459 |

The Company recognizes revenue in an amount that reflects the consideration it expects to be entitled to in exchange for the performance obligations. Revenue is recorded net of discounts and unearned revenue from

the Company's loyalty programs. During the years ended December 31, 2021, 2020, and 2019, the Company netted discounts of $61,171, $19,507, $12,166 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. Variable consideration is estimated in the transaction price at contract inception based on current sales levels and historical experience using the expected value method, subject to constraint. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions as they become due, and are excluded from sales revenue as the Company considers itself a pass-through conduit for collecting and remitting sales taxes. Freight revenues on all product sales, when applicable, are also recognized, on a consistent manner, at a point in time. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

The Company generates an immaterial amount of revenue from services like management fee revenues and interest on overdue amounts on the Columbia Care's National Credit card ("CNC Cards"). Management fee revenue is recognized over time as the recipient of management services derives value from the services provided. The interest on overdue amounts on the CNC Cards is recognized as interest income over time.

During the years ended December 31, 2021, 2020, and 2019 the Company earned a revenue of $4,524, $3,476 and $2,126 from the CNC program. These revenues are included in the retail revenues mentioned above. As of December 31, 2021, 2020, and 2019 in connection with the revenues generated from the CNC card, the Company has accounts receivable of $1,173, $784, and $483, net of an allowance of bad debts of, $384, $188, and $54. These receivables are included within the line item on the consolidated balance sheets. During the years ended December 31, 2021, 2020, and 2019, the Company incurred expenses of $454, $522 and $222 in connection with the administration of the CNC program. These expenses are included within the selling, general and administrative expenses in the consolidated statement of operations and comprehensive loss. Interest on overdue amounts on the CNC card is immaterial.

*Loyalty Points Reward Programs*

In certain of its markets, the Company offers a loyalty reward program to its dispensary customers. The Company offers its customers loyalty points rewards program that allows its customers to earn discounts on future purchases. Loyalty points are earned when a qualifying purchase is made. When a customer attains a certain number of points, the customer can redeem the credits on his/her next in-store purchase, up to a certain annual minimum. Loyalty points not redeemed expire automatically after six months from the date which they were earned.

A portion of the revenue generated in a sale is allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire.

*Deferred Income*

Deferred income represents cash payments received in advance of the Company's transfer of control of products or services to its customers and generally consists of unearned revenue from the Company's loyalty programs. The Company's deferred income balances were $2,956 and $$2,254 as of December 31, 2021 and 2020, respectively, and were recorded within accrued expenses and other current liabilities in the

consolidated balance sheets. During the year ended December 31, 2021, the Company recognized $6,591 as net revenue from amounts recorded as deferred income in the earlier years. During the years ended December 31, 2020, and 2019 the company did not recognize any amount as net revenues from amounts recorded as deferred income in the earlier years. The deferred income balance as of December 31, 2021 is expected to be recognized as revenue within the next twelve months.

***Accounts receivable, net***

Accounts receivable consist of amounts billed and currently due from customers. The Company maintains an allowance for doubtful accounts for estimated losses. In determining the allowance, consideration includes the probability of recoverability based on historical collection experience, aging of receivables and other economic and industry factors. Certain accounts receivable may be fully reserved when the Company becomes aware of any specific collection issues.

*Credit losses*

The allowance for credit losses is based upon a number of factors, including the length of time accounts receivable are past due, the Company’s previous loss history, the specific customer’s ability to pay its obligation and any other forward-looking data regarding customers’ ability to pay which may be available.

***Sales taxes***

Sales taxes collected from customers are excluded from revenues.

***Cost of Goods Sold***

Cost of goods sold includes the amounts incurred to acquire and produce inventory for sale to the Company’s customers, including costs of purchased materials, freight charges, depreciation, direct labor and other employment costs, cultivation facility costs, excise taxes and changes in reserves for obsolescence and inventory realizability.

These costs are reflected in the Company’s consolidated statements of operations and comprehensive loss when the product is sold and net sales revenues are recognized or, in the case of inventory write-downs, when circumstances indicate that the carrying value of inventories is in excess of their recoverable value. Additionally, cost of sales includes the costs associated with certain free or heavily discounted products. These incentive costs are recognized at the same time that the Company recognizes the related revenue.

***Equity-based payment arrangements***

The Company measures all equity-based payment arrangements to employees and directors in accordance with ASC 718, *Compensation–Stock Compensation*. The Company’s stock-based compensation cost is measured based on the fair value at the grant date of the stock-based award. It is recognized as expense over the requisite service period, which generally represents the vesting period. Forfeitures are recognized as they occur. The Company estimates the fair value of each stock-based award on its measurement date using either the current market price of the stock, the Black-Scholes option valuation model or the Monte Carlo Simulation valuation model, whichever is most appropriate. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions such as expected term of the instrument, volatility of the

Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date, by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. Changes in assumptions used to estimate fair value could result in materially different results.

Expected volatility is based on the historical volatility of the Company's stock price. The risk-free interest rates are based on quoted U.S. Treasury rates for securities with maturities approximating the awards' expected lives. Expected lives are principally based on the Company's historical exercise experience with previously issued awards. The expected dividend yield is zero as the Company has never paid dividends and does not currently anticipate paying any in the foreseeable future.

Expense for performance restricted stock awards is recognized based upon the fair value of the awards on the date of grant and the number of shares expected to vest based on the terms of the underlying award agreement and the requisite service period(s).

***Equity classified common stock warrants***

The Company classifies certain warrants for the purchase of shares of its common stock as equity on its consolidated balance sheets as these warrants are considered indexed to the Company's shares of Common Stock. For warrants that do not meet the criteria of a liability warrant and are classified on the Company's consolidated balance sheets as equity instruments, the Company uses the Black-Scholes model to measure the value of the warrants at issuance.

***Convertible debt***

The identification of convertible debt components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement. The separation of the components affects the initial recognition of the convertible debt at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

***Financial instruments***

The Company follows the guidance in FASB ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820, which defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company may engage third party qualified valuers to perform the valuation. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company may engage third-party qualified valuers to perform the valuation. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated balance sheets at the time the Company becomes a party to the contractual provisions of the financial instrument.

*Initial measurement of financial assets and financial liabilities*

Financial assets and liabilities are recognized at fair value upon initial recognition plus any directly attributable transaction costs when not subsequently measured at fair value through profit or loss.

*Subsequent measurement*

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, available for sale, and other financial liabilities.

The Company's Level 3 financial instruments include the derivative liability associated with the convertible note payable issued to stockholders (see Note 5).

***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 the transferred to the seller(s) and generally includes direct transaction costs related to the acquisition.

***Recently adopted accounting pronouncements***

In December 2019, the FASB issued ASU No. 2019-12 Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*. The update contains a number of provisions intended to simplify the accounting for income taxes. The update is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted the guidance in Topic 740 beginning January 1, 2021. The adoption did not have a material impact on the Company's consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The update among other things clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The update is effective for fiscal years beginning after December 15, 2021. The Company is evaluating the impact of this update on its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, "Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from U.S. GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Among other potential impacts, this change is expected to reduce reported interest expense, increase reported net income, and result in a reclassification of certain conversion feature balance sheet amounts from stockholders' equity to liabilities as it relates to the Company's convertible senior notes. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share (EPS), which is consistent with the Company's accounting treatment under the current standard. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020 and can be adopted on either a fully retrospective or modified retrospective basis. The Company early adopted the new standard on January 1, 2021. The adoption of the standard did not have a material impact on the Company's Consolidated Financial Statements.

***Reclassification***

Certain reclassifications have been made to conform the prior years consolidated financial statements and notes to the current year presentation. These reclassifications do not impact the gross profit, loss from operations, loss before provision for income taxes and net loss and comprehensive loss presented on the consolidated statements of operations and comprehensive loss.

## 3. REVERSE TAKEOVER TRANSACTION

On November 21, 2018, CGGC entered into a merger agreement with Columbia Care LLC (the "Merger Agreement") providing for the merger (the "Merger") of Columbia Care LLC with a newly-formed subsidiary of CGGC. On April 26, 2019, (the "Acquisition Date") the Company completed the merger. Under the terms of the Merger Agreement, CGGC acquired 100% of the issued and outstanding ownership interests of Columbia Care LLC in exchange for the issuance of common shares and proportionate voting shares in the capital of CGGC. Prior to the Merger, CGGC consolidated its common shares on a one for three basis and changed its name to Columbia Care Inc. Following the Merger, Columbia Care LLC became a single-member partnership, wholly owned by the Company.

While CGGC was the legal acquirer of Columbia Care LLC, the RTO has been treated as a reverse asset acquisition and consequently Columbia Care LLC was identified as the acquirer for accounting purposes. The RTO was measured at the fair value of the shares deemed to have been issued by Columbia Care LLC in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Columbia Care LLC acquiring 100% of CGGC. Any difference between the fair value of the shares deemed to have been issued by Columbia Care LLC and the fair value of CGGC's identifiable net assets acquired and liabilities assumed represents the value of the public listing received by Columbia Care LLC and was debited to equity. The identifiable assets acquired and liabilities of CGGC assumed by Columbia Care LLC were based on their respective fair values at the Acquisition Date and were paid as follows:

| | |
|---|---|
| **Net assets acquired** | |
| Cash | $120,193 |
| **Consideration paid** | |
| 19,077,096 common shares held by CGGC shareholders | $111,339 |
| 5,394,945 warrants held by CGGC shareholders | 19,925 |
| | $131,264 |
| **Value attributable to obtaining a listing status** | $ 11,071 |

For the year ended December 31, 2019, the Company expensed $3,961 in listing costs. The fair value of the common shares and warrants included in the consideration paid of $131,264 was determined based on an independent valuation of the Company's shares and the percentage ownership of CGGC shareholders, on a diluted basis, on the Acquisition Date. The fair value of the warrants included in the consideration paid of $19,925 was calculated using the Black-Scholes model with the following assumptions:

| | |
|---|---|
| Expected volatility | 70.00% |
| Expected term (years) | 5.00 |
| Expected dividends | 0.00% |
| Risk-free interest rate | 1.52% |

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies.

The Company evaluated the warrants issued as a part of the purchase consideration under ASC 480, Distinguishing Liabilities from Equity and ASC 815-40, Derivatives and Hedging—Contracts in Entity's Own Equity. These warrants do not have a redemption feature and are traded separately from our common shares on the NEO exchange. They can be converted into shares, on a one-for-one conversion ratio prior to their expiry on April 26, 2024, upon payment of a fixed exercise price of $10.35 (Canadian Dollars) per warrant by the warrant holder. The settlement amount is subject to change in case of certain situations like future stock split, consolidation, stock dividend etc. These variables that could affect the settlement amount would be inputs to the fair value of a fixed-for-fixed forward or option on equity shares. As the Company early adopted the provisions of ASU 2017-11 in 2018, the value of the down round provision associated with a future rights issue would be recognized only when it is activated and there is an actual reduction of the strike price or conversion feature. The Company determined that these warrants are freestanding financial instruments that qualify for the scope exemption for being accounted as derivatives. Further, the warrant agreement does not prohibit settlement in unregistered shares and it does not contain any cash-settled top-off or make-whole provisions or provisions for cash payment by the Company in case it fails to file with the SEC. The Company has an unlimited number of authorized shares and it is not required to post a collateral at any point with respect to the warrant agreement. The rights of the warrant holders do not rank higher than the rights of the shareholders. The Company therefore concluded that the warrants meet the criteria to be classified in stockholders' equity and should be measured at fair value on the date of RTO. No changes would be required to the measurement amount or the classification unless an event that requires a reclassification of the warrants out of the equity occurs. The Company reassessed the contract classification as of December 31, 2021, 2020 and 2019, noting no changes to the classification and / or measurement.

## 4. INVENTORY

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Work-in-process—cannabis in cures and final vault | $52,519 | $35,368 |
| Finished goods—dried cannabis, concentrate and edible products | 41,233 | 18,959 |
| Accessories and supplies | 815 | 477 |
| **Total inventory** | **$94,567** | **$54,804** |

## 5. CURRENT AND LONG-TERM DEBT

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

| | Principal outstanding | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Term debt | $ 69,965 | $ 69,965 |
| 2025 Convertible Notes | 74,500 | — |
| Mortgage Note | 20,000 | — |
| 2023 Convertible Notes | 5,600 | 18,760 |
| Acquisition related real estate notes (see note 6) | 7,000 | — |
| Acquisition related promissory notes (see note 6) | 4,875 | 8,776 |
| Acquisition related note payable (see note 6) | 3,314 | — |
| | 185,254 | 97,501 |
| Unamortized debt discount | (19,301) | (10,500) |
| Unamortized deferred financing costs | (5,379) | (3,079) |
| Unamortized debt premium | 327 | 607 |
| Total debt, net | 160,901 | 84,529 |
| Less current portion* | (1,884) | (8,439) |
| Long-term portion | $159,017 | $ 76,090 |

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

The following table summarizes the scheduled principal payments on the Company's outstanding indebtedness as of December 31, 2021:

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Term debt | $31,750 | $38,215 | $ — | $ — | $— | $ — | $ 69,965 |
| Convertible Notes | — | 5,600 | — | 74,500 | — | — | 80,100 |
| Mortgage Note | 561 | 540 | 621 | 659 | 621 | 16,998 | 20,000 |
| Acquisition related real estate notes (see note 6) | — | 2,000 | 5,000 | — | — | — | 7,000 |
| Acquisition related promissory notes (see note 6) | 1,500 | 1,500 | 1,500 | 375 | — | — | 4,875 |
| Acquisition related note payable (see note 6) | 100 | 105 | 109 | 113 | 118 | 2,769 | 3,314 |
| | $33,911 | $47,960 | $7,230 | $75,647 | $739 | $19,767 | $185,254 |

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 December 31, 2021.

The following table presents information about the current and long-term debt obligations of the Company for the year ended December 31, 2021:

| | Balance, January 1 | Borrowing | Acquisition related | Conversion | Repayments | Balance, December 31 |
|---|---|---|---|---|---|---|
| Term debt | $69,965 | $ — | $ — | $ — | $ — | $ 69,965 |
| 2025 Convertible Notes | — | 74,500 | — | — | — | 74,500 |
| Mortgage Note | — | 20,000 | — | — | — | 20,000 |
| 2023 Convertible Notes | 18,760 | — | — | (13,160) | — | 5,600 |
| Acquisition related real estate notes (see note 6) | — | — | 7,000 | — | — | 7,000 |
| Acquisition related promissory notes (see note 6) | 8,776 | — | 6,000 | — | (9,901) | 4,875 |
| Acquisition related note payable (see note 6) | — | — | 3,363 | — | (49) | 3,314 |
| | $97,501 | $94,500 | $16,363 | $(13,160) | $(9,950) | $185,254 |

The following table presents information about the current and long-term debt obligations of the Company for the year ended December 31, 2020:

| | Balance, January 1 | Borrowing | Acquisition related | Balance, December 31 |
|---|---|---|---|---|
| Term debt | $— | $69,965 | $ — | $69,965 |
| 2023 Convertible Notes | — | 18,760 | — | 18,760 |
| Acquisition related promissory notes (see note 6) | — | — | 8,776 | 8,776 |
| | $— | $88,725 | $8,776 | $97,501 |

*2025 Convertible Notes*

On June 29, 2021, the Company completed an offering of 6.0% 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 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 120.0% of the conversion price of the Notes at a Redemption Price equal to 100.0% 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 consolidated statements of operations and comprehensive loss. The debt discount is amortized over the term of the 2025 Convertible Notes.

*2023 Convertible Notes*

On June 19, 2020, the Company completed the first tranche of an offering of senior secured convertible notes (“Convertible Notes”) for an aggregate principal amount of $12,800. During July 2020, the Company completed subsequent tranches for an aggregate principal amount of $5,960.

The Convertible Notes can be exchanged into Common Shares at a conversion price of $3.79 (Canadian Dollars). For the purposes of determining the number of Common Shares issuable upon conversion of the Convertible Notes, the principal amount of the Convertible Notes surrendered for conversion shall be deemed converted from U.S. Dollars into Canadian Dollars, using the end-of-day exchange rate published by the Bank of Canada on the date immediately preceding the date that the Convertible Note is surrendered for conversion. The Convertible Notes require interest-only payments until December 19, 2023, at a rate of 5.0% per annum, payable semi-annually on June 30 and December 31 commencing on December 31, 2020. The Convertible Notes are due in full on December 19, 2023. The Company incurred financing costs of $175 in connection with issuance of the Convertible Notes.

The Company determined that the Convertible Notes represent an obligation to issue a variable number of shares for a variable amount of liability, as the amount of the liability to be settled depends on the applicable foreign exchange rate at the date of settlement. In accordance with ASC 480 – *Distinguishing Liabilities from Equity*, a conversion feature within a financial instrument to issue a variable number of equity units fails to meet the definition of equity. Accordingly, such a conversion feature must be accounted for as an embedded derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations. Upon initial recognition, the Company recorded a derivative liability of $5,364 within other long-term liabilities in the consolidated balance sheets and 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 consolidated statements of operations and comprehensive loss. The debt discount is amortized over the term of the 2023 Convertible Notes.

*Conversion of Convertible notes*

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 one-thousand US dollars aggregate principal amount of Convertible Notes surrendered for conversion. Pursuant to this incentive program, 4,550,139 shares were issued upon of 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.

*Embedded derivative in 2025 Convertible Notes and 2023 Convertible Notes*

The fair value of the embedded derivative was calculated on the date of issuance and at the end of each reporting period using a Monte Carlo simulation model with the following assumptions:

| | December 31, 2021 | June 29, 2021 | December 31, 2020 | June 19, 2020 |
|---|---|---|---|---|
| Expected volatility | 63.8% | 64.6% | 80.0% | 80.0% |
| Expected dividends | 0.0% | 0.0% | 0.0% | 0.0% |
| Expected term (years) for 2025 Convertible Debt | 3.5 | 4.0 | — | — |
| Risk-free interest rate for 2025 Convertible Debt | 1.1% | 0.8% | — | — |
| Expected term (years) for 2023 Convertible Debt | 2.0 | — | 3.0 | 3.5 |
| Risk-free interest rate for 2023 Convertible Debt | 0.9% | — | 0.3% | 0.3% |

During the year ended December 31, 2021 and 2020, the Company recognized a gain on remeasurement of the derivative of $13,286 and an expense on remeasurement of the derivative of $11,745, which is recorded as other expense (income) in the consolidated statement of operations, respectively.

*Mortgage*

In December 2021, the Company entered into a term loan and security agreement with a bank. The agreement provides for $20,000 mortgage on real property and carries interest at a rate per annum equal to Wall Street prime rate (“Index”) plus 2.25%. The debt is repayable in 59 monthly installments, of $138 each and a final balloon payment due on January 1, 2027, which is currently estimated at $16,998. In connection with this Mortgage, the Company incurred financing costs of $655.

*Term debt*

On March 31, 2020 and April 23, 2020, the Company completed the first and second tranches of a private placement of notes (“Private Notes”) for an aggregate principal amount of $14,250 and $1,000, respectively. The Private Notes required interest-only payments through March 30, 2024, at a rate of 9.9% per annum, payable semi-annually on March 31 and September 30 commencing on September 30, 2020. The Private Notes were due in full on March 30, 2024. In connection with the first and second tranche offerings of the Private Notes, the Company issued 1,723,250 common share purchase warrants at an exercise price of $3.10 (Canadian Dollars).

On May 14, 2020, the Company completed a private placement of an aggregate of 19,115 senior secured first-lien note units (the "May Units") for aggregate gross proceeds of $19,115, each May Unit being comprised of (i) $1,000 principal amount of 13.0% senior secured first-lien notes ("Notes") and (ii) 120 Common Share purchase warrants (the "May Warrants") with an exercise price of $2.95 (Canadian Dollars) per underlying Common Share (the "May Private Placement"). Concurrent with the closing of the May Private Placement, the Private Notes were exchanged for Notes. In addition, holders of Private Notes were issued additional 130,388 May Warrants with an exercise price of $2.95 (Canadian Dollars).

On July 2, 2020, the Company completed a second private placement of an aggregate of 4,000 units (the "July Units") for aggregate gross proceeds of $4,000, each July Unit being comprised of (i) $1,000 Notes and (ii) 75 Common Share purchase warrants (the "July Warrants") with an exercise price of $4.53 (Canadian Dollars) per underlying Common Share.

On October 29, 2020, November 10, 2020 and November 27, 2020, the Company completed private placements of an aggregate of 20,000, 8,400 and 3,000 units (the "Early November Units"), respectively, for aggregate gross proceeds of $32,054, each unit being comprised of (i) $1,000 Notes and (ii) 60 Common Share purchase warrants (the "Fall Warrants" and together with the May Warrants and July Warrants, the "Warrants") with an exercise price of $5.84 (Canadian Dollars) per underlying Common Share.

On November 30, 2020, the Company completed another private placement of an aggregate of 200 units the "Late November Units" and together with the May Units, the July Units and the Early November Units, the "Units"), respectively for aggregate gross proceeds of $200, each unit being comprised of (i) $1,000 Notes and (ii) 125 Fall Warrants.

At the option of the holder, each Warrant can be exchanged for one Common Share. The Warrants expire on May 14, 2023.

The Notes require interest-only payments through May 14, 2023, at a rate of 13.0% per annum, payable semi-annually on May 31 and November 30, which commenced on November 30, 2020. The Notes are due in full on May 15, 2023. The Company incurred financing costs of $3,373 in connection with the issuance of these Notes. The Notes contain customary terms and conditions, representations and warranties, and events of default.

Upon initial recognition, the Company recorded $6,298 to equity reserves, reflecting the fair value of the warrants issued, with a corresponding reduction to the carrying value of the Notes. The debt discount will be amortized to interest expense over the term of the notes using the effective interest method.

The fair value of the warrants included in the private placement were calculated using a Black-Scholes model on the date of issuance with the following assumptions:

| | |
|---|---|
| Expected volatility | 80.0% |
| Expected term (years) | 3.0 |
| Expected dividends | 0.0% |
| Risk-free interest rate | 0.5% |

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies.

*Term debt—Real Estate*

In January 2016, the Company entered into a loan and security agreement (the "Agreement") with various individuals for loans in the aggregate amount of $10,000. The Agreement had a stated interest rate of 7.0%

with a maturity date of January 25, 2019. The aggregate principal amount of the loans per an amendment dated March 31, 2017 was increased from $10,000 to $12,000.

The loans could be prepaid prior to the second anniversary of the closing date with the consent of such lenders. At any time on and following the second anniversary of the closing date, the loans could be prepaid in whole or in part not less than three business days' prior written notice to the lenders. The loans were collateralized by various real estate holdings of the Company.

In January 2019, principal in the amount of $2,500 and accrued interest in the amount of $37 was converted into 27,561 common units and the remaining outstanding principal of $1,295 was repaid.

*Working Capital Loan*

In July 2016, the Company obtained a working capital loan of $950 from various lenders (the "Working Capital Loan"). The Working Capital Loan had a stated interest rate of 10.0% and a maturity date of July 11, 2019. The Working Capital Loan was unsecured. Interest was paid in cash arrears commencing on July 31, 2018 and on each quarterly anniversary thereafter. The Company was permitted to prepay the loans, in whole or in part, upon not less than three business days prior with written notice.

The Company repaid $650 to various lenders in December 2018. The remaining $300 was paid in January 2019.

*Interest and amortization expense*

Total interest and amortization expense on the Company's debt obligations for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Interest expense | $19,370 | 6,193 | $ 86 |
| Amortization of debt discount | 4,921 | 1,766 | 1 |
| Amortization of debt premium | (280) | (47) | — |
| Amortization of debt issuance costs | 1,502 | 468 | — |
| Other interest (expense) income, net | (779) | (3,510) | (1,328) |
| Total interest expense | $24,734 | $ 4,870 | $(1,241) |

The weighted average interest rate on the Company's indebtedness was 9.7%.

*February 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 in cash. The 2026 Notes are senior secured obligations of the Company and were issued at 100.0% of face value. The 2026 Notes accrue interest payable semi-annually in arrears 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.

As binding commitments to exchange the 13.0% Term Debt were received subsequent to December 31, 2021 and as the premium and unpaid interest were paid out of the funds raised from the February 2022 Private Placement, the Company has classified the 13.0% Term Debt as a non-current liability as at December 31, 2021.

## 6. ACQUISITIONS

*(a) Green Leaf Medical*

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:

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Consideration transferred** | | | |
| Cash consideration | $ 62,796 | $ — | $ 62,796 |
| Less working capital adjustment | (2,011) | 37 | (1,974) |
| Closing shares | 125,729 | 93 | 125,822 |
| Milestone shares after closing (contingent consideration) | 125,230 | (27,816) | 97,414 |
| Total unadjusted purchase price | 311,744 | (27,686) | 284,058 |
| Less: Cash and cash equivalents acquired | (30,779) | — | (30,779) |
| Total purchase price, net of cash and cash equivalents acquired | $280,965 | $(27,686) | $253,279 |

Equity purchase consideration comprised 44,848,416 Common Shares which were issued during the year ended December 31, 2021.

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

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Purchase price allocation** | | | |
| Assets acquired: | | | |
| Accounts receivable | $ 4,660 | $ (295) | $ 4,365 |
| Inventory | 13,659 | 4,204 | 17,863 |
| Prepaid expenses and other current assets | 31,687 | (509) | 31,178 |
| Property and equipment | 52,070 | 166 | 52,236 |
| Right of use assets | 1,876 | — | 1,876 |
| Goodwill | 164,004 | (62,269) | 101,735 |
| Intangible assets | 142,858 | 81,477 | 224,335 |
| Accounts payable | (4,080) | — | (4,080) |
| Accrued expenses and other current liabilities | (22,597) | (21) | (22,618) |
| Note payable | (2,344) | 256 | (2,088) |
| Lease liabilities | (1,876) | — | (1,876) |
| Other long-term liabilities | (62,161) | (3,533) | (65,694) |
| Deferred tax liabilities | (36,791) | (47,162) | (83,953) |
| Consideration transferred | $280,965 | $(27,686) | $253,279 |

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

On June 11, 2021, prepaid expenses and other current assets consisted of tenant improvement receivable of $28,424. After its acquisition, Green Leaf undertook the construction and build out of its cultivation site and received reimbursement of $27,115. As of December 31, 2021, tenant receivable is $1,308.

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 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 23.44% and 38.76% 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 15% 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 year ended December 31, 2021, the Company remeasured the contingent consideration at fair value and recorded a net gain of $59,362 within other expense, net in the condensed 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.

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 $153,746, $21,375 and $49,214, respectively, which were determined to have definite useful lives of 10, 5 and 7 years respectively.

As a part of this acquisition, the Company acquired a note payable issued in March 2018 for the purchase of real property. This note payable matures in April 2038 and bears interest at a rate of 4.0% per annum with monthly payments of principal and interest of $19,266 (discount is based on imputed interest rate of 13.25%) and is secured by the underlying real property.

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 consolidated statement of operations and comprehensive loss.

$74,545 of revenue and $12,997 of net income of Green Leaf have been included in the condensed consolidated statement of operations for the year ended December 31, 2021, respectively.

*Unaudited supplemental pro-forma information*

Had the acquisition of Green Leaf been completed on January 1, 2020, the Company's pro forma results of operations for the year ended December 31, 2021 and 2020 would have been as follows:

| | Year Ended | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Revenue | $ 512,006 | $ 257,128 |
| Net income attributable to shareholders | (131,950) | (85,873) |
| Earnings attributable to shares (basic and diluted) | (0.36) | (0.31) |
| Weighted-average number of shares used in earnings per share—basic and diluted | 368,683,785 | 277,311,971 |

The pro forma financial information which gives effect to certain transaction accounting adjustments, including amortization of acquired intangibles is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated on January 1, 2020, nor is it necessarily indicative of future operating results.

*(b) 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 on or after January 1, 2022 through April 1, 2022, but cannot be exercised until the Company has sold its current TGS Longmont location (see Note 20). 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 December 31, 2021, 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 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 in November 2021.

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 | 818 |
| Goodwill | 9,908 |
| Intangible assets | 30,370 |
| Accounts payable | (696) |
| Accrued expenses and other current liabilities | (1,910) |
| Lease liabilities | (1,438) |
| Deferred tax liabilities | (8,822) |
| Consideration transferred | $39,635 |

The purchase price allocations for the Medicine Man 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 Medicine Man 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 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 November 1, 2021 acquisition date, subject to the terms and conditions set forth in the Merger Agreement entered into by the Company in connection with the Medicine Man Transaction. The fair value of the contingent consideration was determined upon acquisition.

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 Medicine Man Transaction consists of expected synergies from combining operations of the Company and Medicine Man, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill is deductible for tax purposes.

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

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.

$4,734 of revenue and $536 of net income of Medicine Man have been included in the consolidated statement of operations for the three and twelve months ended December 31, 2021, respectively.

*(c) 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. ("THCSD").

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.

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

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Consideration transferred** | | | |
| Cash consideration | $ 3,425 | $— | $ 3,425 |
| Closing promissory notes | 5,718 | — | 5,718 |
| Closing Shares | 4,972 | — | 4,972 |
| Total unadjusted purchase price | 14,115 | — | 14,115 |
| Less: Cash and cash equivalents acquired | (698) | — | (698) |
| Total purchase price, net of cash and cash equivalents acquired | $13,417 | $— | $13,417 |

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

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Purchase price allocation** | | | |
| Assets acquired: | | | |
| Inventory | $ 597 | $ — | $ 597 |
| Prepaid expenses and other current assets | 91 | — | 91 |
| Property and equipment | 619 | — | 619 |
| Right of use assets | 635 | — | 635 |
| Goodwill | 4,303 | 349 | 4,652 |
| Intangible assets | 10,987 | — | 10,987 |
| Other long term assets | — | 466 | 466 |
| Accounts payable | (133) | — | (133) |
| Accrued expenses and other current liabilities | (260) | — | (260) |
| Lease liabilities | (635) | — | (635) |
| Deferred tax liabilities | (2,787) | (349) | (3,136) |
| Other long term liability | — | (466) | (466) |
| Consideration transferred | $13,417 | $ — | $13,417 |

The fair value of the acquired assets and liabilities is provisional pending receipt of the final valuations for these assets and liabilities. The purchase price allocation for the THCSD 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 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 THCSD Transaction consists of expected synergies from combining operations of the Company and THCSD, 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.

THCSD'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.

In conjunction with the THCSD 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. THCSD's acquisition-related costs in the amount of $198 were expensed in THCSD's pre-acquisition consolidated financial statements.

$11,814 of revenue and $976 of net income of THCSD have been included in the consolidated statement of operations for the year ended December 31, 2021.

*(d) 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").

Project Cannabis was formed in August 2014 for the purpose of selling medicinal and recreational cannabis products in the state of California, on both a wholesale and retail basis. Project Cannabis owns and operates vertically integrated cultivation facilities, manufacturing facilities and retail dispensaries in the state of California. The Company executed the Project Cannabis Transaction in order to continue to grow revenues; expand its cultivation facilities, manufacturing facilities and dispensaries; and penetrate the California market.

The aggregate purchase price for the Project Cannabis Transaction, being $39,029 (the "Transaction Price") consisted of $35,273 in equity purchase consideration ("Closing Shares"), $3,400 of deferred stock payments ("Deferred Stock Consideration"), and a working capital adjustment of $584. Purchase consideration comprised 15,713,867 common shares, of which, 1,528,881 are subject to a lock-up period of eighteen months following the date of issuance, for the purpose of funding any potential indemnification obligations of the seller. In accordance with the terms of the purchase agreement, if Project Cannabis fails to achieve a certain level of performance after acquisition, the Company is entitled to a partial refund of the shares already issued. As of December 31, 2021, based on management estimates, the Company is entitled to receive a refund of 2,992,530 shares. The resultant contingent gain of $8,524 will be recognized as income in future periods when all contingencies relating to collectability, payment and timing have been resolved.

In May 2021, the Company finalized the working capital on the Project Cannabis transaction. This resulted in issuance of an additional 178,619 Common 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 following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for Project Cannabis:

| **Consideration transferred** | |
|---|---|
| Closing Shares | $35,273 |
| Deferred stock payments | 3,400 |
| Total unadjusted purchase price | 38,673 |
| Working capital adjustment | 584 |
| Total adjusted purchase price | 39,257 |
| Less: Cash acquired | (877) |
| Total purchase price | $38,380 |

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

| **Purchase price allocation** | |
|---|---|
| Assets acquired: | |
| Accounts receivable | $ 1,568 |
| Inventory | 2,795 |
| Prepaid expenses and other current assets | 699 |
| Property and equipment | 632 |
| Right of use assets | 1,587 |
| Long-term deposits | 38 |
| Goodwill | 23,520 |
| Intangible assets | 18,020 |
| Other non-current assets | 5,221 |
| Accounts payable | (121) |
| Accrued expenses and other current liabilities | (3,431) |
| Lease liabilities | (1,587) |
| Deferred tax liability | (5,340) |
| Other long-term liabilities | (5,221) |
| Consideration transferred | $38,380 |

The purchase price allocations for the Project Cannabis Transaction reflects various fair value estimates and analyses relating to the determination of fair value of certain tangible and intangible assets acquired and residual goodwill. 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 Project Cannabis Transaction consists of expected synergies from combining operations of the Company and Project Cannabis, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill will be deductible for tax purposes.

Project Cannabis' state licenses, trade name and wholesale customers represented identifiable intangible assets acquired in the amounts of $10,356, $4,411 and $3,253, respectively, which were determined to have definite useful lives of 10, 5 and 5 years, each respectively.

In conjunction with the Project Cannabis Transaction, the Company expensed $584 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.

Since the closing date of the Project Cannabis Transaction, $32,848 and $2,714 of revenue and $2,745 of net loss and $2,176 of net income of Project Cannabis have been included in the Company's consolidated statement of operations and comprehensive loss for the year ended December 31, 2021 and December 31, 2020, respectively.

*(e) 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, and Infuzionz, LLC and Beacon Holdings, LLC (collectively, "TGS").

TGS Global was formed in October 2010 for the purpose of selling medicinal and recreational cannabis products in the state of Colorado. TGS Global owns and operates vertically integrated cultivation facilities, manufacturing facilities and retail dispensaries in the state of Colorado. The Company executed the TGS Transaction in order to continue to grow revenues; expand its cultivation facilities, manufacturing facilities and dispensaries; and enter the Colorado market.

The aggregate purchase price for the TGS Transaction, being $143,581 consisted of $200 in cash consideration, $8,170 in promissory notes ("TGS Closing Promissory Notes"), $108,766 in equity purchase consideration ("Closing Shares"), and contingent consideration ("Milestone Shares") of $26,445. Equity purchase consideration comprised 33,222,900 Common Shares of which 32,955,987 were issued on September 1, 2020 and the remaining 266,913 Common Shares were issued during the fourth quarter of 2020.

The TGS Closing Promissory Notes were issued with a debt discount of $606 and require monthly interest payments at a rate of 9.0% per annum. The TGS Closing Promissory Notes require principal payments of $3,750, $3,750 and $1,276 on January 1, 2021, April 1, 2021 and July 1, 2021, respectively. During the year ended December 31, 2021, the Company repaid the TGS Closing Promissory Notes in full. As of

December 31, 2021, the Company did not have any outstanding amounts of principal or interest on the TGS Closing Promissory Notes.

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

| **Consideration transferred** | |
|---|---|
| Cash consideration | $ 200 |
| Closing promissory notes | 8,170 |
| Closing Shares | 108,766 |
| Milestone Shares after closing (contingent consideration) | 26,445 |
| Total unadjusted purchase price | 143,581 |
| Less: Cash and cash equivalents acquired | (3,203) |
| Total purchase price, net of cash and cash equivalents acquired | $140,378 |

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

| **Purchase price allocation** | |
|---|---|
| Assets acquired: | |
| Accounts receivable | $ 367 |
| Inventory | 10,700 |
| Prepaid expenses and other current assets | 796 |
| Property and equipment | 11,838 |
| Right of use assets | 81,206 |
| Long-term deposits | 2,174 |
| Goodwill | 114,467 |
| Intangible assets | 70,267 |
| Accounts payable | (5,204) |
| Accrued expenses and other current liabilities | (15,408) |
| Note payable | (16,855) |
| Lease liabilities | (95,954) |
| Deferred tax liabilities | (18,016) |
| Consideration transferred | $140,378 |

The purchase price allocations for the TGS Transaction reflects various fair value estimates and analyses relating to the determination of fair values of certain tangible and intangible assets acquired and residual goodwill.

The contingent consideration, payable in Common Shares (the “Milestone Shares”) of the Company, was estimated considering certain metrics for the year ended December 31, 2020, subject to the terms and conditions set forth in the Membership Interest Purchase Agreement (“MIPA”) entered into by the Company in connection with the TGS Transaction. The fair value of the contingent consideration was estimated by an independent valuation firm, based upon management’s projections of revenue and EBITDA margin, by applying a probability weighted expected return method (“PWERM”) analysis. 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. A 15% discount was applied, to derive a discounted probability-adjusted earnout of $28,133. The Company then applied a discount for lack of marketability rate of 6% for a net fair value of contingent consideration of $26,445. An estimated range of outcomes has been deemed indeterminable by the Company.

During the year ended December 31, 2021 and December 31, 2020, the Company remeasured the contingent consideration at its fair value. This resulted in an additional accrual of $690,415 and $21,757 of contingent consideration, with a corresponding debit to the other (expense) income, net. During the year ended December 31, 2021, the Company issued 7,234,266 Milestone Shares to the sellers in full settlement of the contingent consideration.

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 TGS Transaction consists of expected synergies from combining operations of the Company and TGS, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill will be deductible for tax purposes.

The TGS' state licenses, trade name and wholesale customers represented identifiable intangible assets acquired in the amounts of $41,602, $28,632 and $33, respectively, which were determined to have definite useful lives of 10, 10 and 5 years, each respectively.

In conjunction with the TGS Transaction, the Company expensed $916 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.

Since the closing date of the TGS Transaction, $100,308 and $38,166 of revenue and $10,146 of net loss and $11,937 of net income of TGS have been included in the Company's consolidated statement of operations and comprehensive loss for the year ended December 31, 2021 and 2020, respectively.

*Unaudited supplemental pro-forma information*

Had the acquisition of TGS been completed on January 1, 2019, the Company's pro forma results of operations for the years ended December 31, 2020 and 2019 would have been as follows:

| | Year Ended | |
|---|---|---|
| | **December 31, 2020** | **December 31, 2019** |
| Revenue | $ 241,976 | $ 153,186 |
| Net loss attributable to shareholders | (100,986) | (112,676) |
| Earnings attributable to shares (basic and diluted) | (0.38) | (0.45) |
| Weighted-average number of shares used in earnings per share—basic and diluted | 262,390,801 | 250,619,406 |

The pro forma financial information which gives effect to certain transaction accounting adjustments, including amortization of acquired intangibles is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated on January 1, 2019, nor is it necessarily indicative of future operating results.

*(f) 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 other non-current assets on the consolidated statement of financial position for the year ended December 31, 2020. 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:

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Consideration transferred** | | | |
| Cash consideration | $10,026 | $— | $10,026 |
| CannAscend deposit | 4,124 | — | 4,124 |
| Total unadjusted purchase price | 14,150 | — | 14,150 |
| Less: Cash and cash equivalents acquired | (973) | — | (973) |
| Total purchase price, net of cash and cash equivalents acquired | $13,177 | $— | $13,177 |

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

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Purchase price allocation** | | | |
| Assets acquired: | | | |
| Inventory | $ 2,186 | $— | $ 2,186 |
| Prepaid expenses and other current assets | 175 | — | 175 |
| Property and equipment | 8,787 | — | 8,787 |
| Intangible assets | 22,300 | 619 | 22,919 |
| Accounts payable | (695) | — | (695) |
| Accrued expenses and other current liabilities | (1,695) | — | (1,695) |
| Notes and interest receivable | (12,358) | — | (12,358) |
| Deferred tax liabilities | (5,523) | (619) | (6,142) |
| Consideration transferred | $ 13,177 | $— | $ 13,177 |

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

Since the closing date of the CannAscend Transaction, $15,391 of revenue and $1,586 of net income of CannAscend have been included in the condensed consolidated statement of operations for the year ended December 31, 2021.

*(g) 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:

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Consideration transferred** | | | |
| Closing Shares | $1,500 | $— | $1,500 |
| Note receivable | 2,769 | — | 2,769 |
| Interest receivable | 200 | — | 200 |
| Deposits | 125 | — | 125 |
| Restricted cash | 498 | — | 498 |
| Total unadjusted purchase price | 5,092 | — | 5,092 |
| Less: Cash acquired | (27) | — | (27) |
| Total purchase price | $5,065 | $— | $5,065 |

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:

| | As previously reported | Measurement period adjustments | As adjusted |
|---|---|---|---|
| **Purchase price allocation** | | | |
| Assets acquired: | | | |
| Accounts receivable | $ 181 | $— | $ 181 |
| Inventory | 304 | 58 | 362 |
| Property and equipment | 1,250 | — | 1,250 |
| Intangible assets | 4,812 | 103 | 4,915 |
| Accounts payable | (319) | — | (319) |
| Accrued expenses and other current liabilities | (5) | — | (5) |
| Deferred tax liabilities | (1,158) | (161) | (1,319) |
| Consideration transferred | $ 5,065 | $— | $ 5,065 |

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 $301 and a net loss of $835 of Corsa Verde have been included in the condensed interim consolidated statement of operations for the year ended December 31, 2021.

## 7. PROPERTY AND EQUIPMENT

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Land and buildings | $113,736 | $ 3,757 |
| Furniture and fixtures | 8,564 | 6,970 |
| Equipment | 36,052 | 22,955 |
| Computers and software | 2,914 | 1,986 |
| Leasehold improvements | 145,259 | 98,380 |
| Construction in process | 86,326 | 11,338 |
| Total property and equipment, gross | 392,851 | 145,386 |
| Less: Accumulated depreciation | (53,159) | (30,986) |
| Total property and equipment, net | $339,692 | $114,400 |

| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Total depreciation expense for the year ended | $22,325 | $14,891 | $8,148 |
| Included in: | | | |
| Costs of sales related to inventory production | 12,853 | 8,840 | 4,738 |
| Selling, general and administrative expenses | 9,472 | 6,051 | 3,410 |

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

| | Land and buildings | Furniture and fixtures | Equipment | Computers and software | Leasehold improvements | Construction in process | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance, December 31, 2020 | $ 3,757 | $ 6,970 | $ 22,955 | $ 1,986 | $ 98,380 | $11,338 | $145,386 |
| Additions | 62,122 | 839 | 8,449 | 603 | 32,864 | 80,032 | 184,909 |
| Business acquisitions | 47,857 | 194 | 3,586 | 233 | 11,161 | 1,360 | 64,391 |
| Disposals | — | — | (695) | — | — | (100) | (795) |
| Transferred to assets held for sale | — | — | — | — | (1,040) | — | (1,040) |
| Other transfers | — | 561 | 1,757 | 92 | 3,894 | (6,304) | — |
| Balance, December 31, 2021 | $113,736 | $ 8,564 | $ 36,052 | $ 2,914 | $145,259 | $86,326 | $392,851 |

| | Land and buildings | Furniture and fixtures | Equipment | Computers and software | Leasehold improvements | Construction in process | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| Balance, December 31, 2020 | $ (202) | $(1,626) | $ (7,194) | $ (664) | $ (21,300) | $ — | $ (30,986) |
| Depreciation | (786) | (1,411) | (5,393) | (544) | (14,191) | — | (22,325) |
| Disposals | — | — | 152 | — | — | — | 152 |
| Transferred to assets held for sale | — | — | — | — | — | — | — |
| Balance, December 31, 2021 | $ (988) | $(3,037) | $(12,435) | $(1,208) | $ (35,491) | $ — | $ (53,159) |

| | Land and buildings | Furniture and fixtures | Equipment | Computers and software | Leasehold improvements | Construction in process | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance, December 31, 2019 | $ 4,055 | $ 3,121 | $13,596 | $1,273 | $ 56,900 | $ 41,740 | $120,685 |
| Additions | 2,766 | 1,087 | 2,517 | 556 | 12,297 | 10,577 | 29,800 |
| Business acquisitions | 23 | 1,466 | 1,923 | 219 | 8,191 | 648 | 12,470 |
| Transferred to assets held for sale | — | (55) | (376) | (132) | (3,835) | — | (4,398) |
| Disposals | (3,093) | — | (429) | — | (1,714) | (7,935) | (13,171) |
| Transfers | 6 | 1,351 | 5,724 | 70 | 26,541 | (33,692) | — |
| Balance, December 31, 2020 | $ 3,757 | $ 6,970 | $22,955 | $1,986 | $ 98,380 | $ 11,338 | $145,386 |

| | Land and buildings | Furniture and fixtures | Equipment | Computers and software | Leasehold improvements | Construction in process | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| Balance, December 31, 2019 | $ (154) | $ (721) | $ (3,410) | $ (321) | $(12,045) | $ — | $ (16,651) |
| Depreciation | (48) | (913) | (3,941) | (359) | (9,630) | — | (14,891) |
| Transferred to assets held for sale | — | 8 | 25 | 16 | 366 | — | 415 |
| Disposals | — | — | 132 | — | 9 | — | 141 |
| Balance, December 31, 2020 | $ (202) | $(1,626) | $ (7,194) | $ (664) | $(21,300) | $ — | $ (30,986) |

*Asset Additions*

During the year ended December 31, 2021, the Company began construction at Green Leaf, acquired two real estate properties in California and, a cultivation site together with greenhouse structure in New York as described below. In addition, during the year ended December 31, 2021, the Company is building out certain cultivation sites and has incurred a total capital expenditure of $ 48,727 on the same.

*Greenhouse acquisition*

In April 2021, the Company acquired a 34-acre cultivation site in eastern Long Island, New York. In November 2021, the Company acquired, upon closing of phase two of the transaction, approximately 740,000 square feet of operational greenhouse space, with 200,000 square feet of incremental grow capacity. The following table summarizes the allocation of consideration exchanged for the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

| | |
|---|---|
| Consideration transferred: | |
| Cash | $15,792 |
| Closing shares | 23,853 |
| Contingent consideration | 400 |
| Fair value of consideration exchanged | 40,045 |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | |
| Land | 5,180 |
| Building | 40,425 |
| Prepaid insurance | 87 |
| Deferred rent | (5,647) |
| Total net assets acquired | $40,045 |

*Sale-Leasebacks*

During the third quarter of 2020, the Company closed on a sale leaseback transaction in which two properties located in New Jersey sold for $12,385, which was approximately the cost of the properties. Included in the agreement, the Company is expected to complete tenant improvements related to these properties, for which the landlord has agreed to provide a tenant improvement allowance. The right-of-use assets related to these properties were reduced by $360 which represents the unretained portion of the assets carrying amount. The remaining gain associated with this sale-leaseback was immaterial.

## 8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Tenant improvement receivable | $ — | $ — |
| Prepaid expenses | 15,362 | 5,245 |
| Short term deposits | 6,960 | 1,510 |
| Other current assets | 5,822 | 4,396 |
| Excise and sales tax receivable | 1,108 | 238 |
| Prepaid taxes | — | 41 |
| **Prepaid expenses and other current assets** | **$29,252** | **$11,430** |

## 9. OTHER NON-CURRENT ASSETS

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Long term deposits | 5,602 | 9,271 |
| Indemnification receivable | 4,111 | 5,221 |
| Investment in affiliates | 776 | 1,446 |
| Restricted cash | 335 | 10,858 |
| Notes receivable | 2,211 | 15,832 |
| Interest receivable | — | 1,000 |
| **Other non-current assets** | $13,035 | $43,628 |

## 10. PROMISSORY NOTES RECEIVABLES

During the year ended December 31, 2019, Focused Health LLC ("Focused Health"), a consolidated subsidiary of the Company, entered into a lease agreement with 9244 Balboa Blvd., LLC ("Balboa") and simultaneously issued a secured promissory note ("Balboa Note") with a principal amount of $2,420. The Balboa Note is secured by the land and building of the leased premises and bears interest at a rate of 4.5%. The Company's principal and interest repayments are offset by the Company's rent payment obligations under the lease agreement with Balboa. The Balboa Note matures in April 2029. The balance outstanding as of December 31, 2021 and 2020, is $2,272 and $2,329, respectively, of which $60 and $58, respectively, is recorded in prepaid expenses and other current assets, and $2,211 and $2,271, respectively, is recorded in notes receivable-long-term on the consolidated balance sheets.

Refer to Note 6 for other notes receivables.

## 11. SHAREHOLDERS' EQUITY

Issuance of equity in connection with business acquisitions mentioned in Note 6, exercise of warrants mentioned in Note 12, share-based activity mentioned in Note 13 and non-controlling interest buyout mentioned in Note 24 constitute the Company's activity in shareholders equity during the year ended December 31, 2020.

In addition to the issuance of equity in connection with conversion of 2023 Convertible Notes and Mortgage mentioned in Note 5, business acquisitions mentioned in Note 6, exercise of warrants mentioned in Note 12, and share-based payment arrangements mentioned in Note 13, during the year ended December 31, 2021, the Company closed a public offering that consisted of 18,572,500 Common Shares at a price of $8.05 (Canadian Dollars) per common share and sold, on a bought deal private placement basis, 3,220,000 Common Shares at a price of $9.00 (Canadian Dollars) per share sold for net proceeds of $133,151 to the Company in January and February 2021.

*Authorized Capital*

Authorized share capital of the Company consists of (i) an unlimited number of common shares without par (ii) an unlimited number of proportionate voting shares without par, and (iii) an unlimited number of preferred shares.

The Company's common shares and proportionate voting shares (together, the "Shares") have the same rights and are equal in all respects. The Company treats the Shares as if they were a single class.

*Conversion Rights and Transfers*

Issued and outstanding proportionate voting shares, including fractions thereof, may at any time, subject to certain conditions, at the option of the holder, be converted into common shares at a ratio of 100 common shares per proportionate voting share with fractional proportionate voting shares convertible into common shares at the same ratio. Further, the Company's board of directors may determine in the future that it is no longer advisable to maintain the proportionate voting shares as a separate class of shares and may cause all of the issued and outstanding proportionate voting shares to be converted into common shares at a ratio of 100 common shares per proportionate voting share with fractional proportionate voting shares convertible into common shares at the same ratio and the Company shall not be entitled to issue any additional proportionate voting shares thereafter.

*Rights*

Holders of Shares are entitled to one vote on all matters submitted to a vote of the Company's shareholders. Holders of Shares are entitled to receive dividends, as may be declared by the Company's board of directors. As of December 31, 2021, and 2020, no cash dividends had been declared or paid.

## 12. WARRANTS

Outstanding equity-classified warrants to purchase common shares consisted of the following:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| 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 | 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 |
| | 11,662,766 | $ 7.15 | 13,147,919 | $ 6.91 |

Warrant activity during the years ended December 31, 2021 and 2020, and December 29, 2018 is summarized in the table below:

| | Shares | | Units | |
|---|---|---|---|---|
| | Number of Warrants | Weighted average exercise price (Canadian Dollars) | Number of Warrants | Weighted average exercise price (U.S. Dollars) |
| **Balance as of December 29, 2018** | **—** | **$ —** | **1,338,713** | **$55.50** |
| Issued | 5,394,945 | 10.35 | — | — |
| Exercised | — | — | (210,858) | 22.46 |
| Conversion of warrant units to warrant shares | 14,660,479 | 6.23 | (1,127,855) | 61.63 |
| **Balance as of December 31, 2019** | **20,055,424** | **7.34** | **—** | **—** |
| Issued | 6,356,438 | 3.93 | — | — |
| Exercised | (4,019,023) | 2.25 | — | — |
| Expired | (9,244,920) | 7.82 | — | — |
| **Balance as of December 31, 2020** | **13,147,919** | **6.91** | **—** | **—** |
| Exercised | (1,485,153) | 5.01 | — | — |
| **Balance as of December 31, 2021** | **11,662,766** | **$ 7.15** | **—** | **$ —** |

In January 2022, 180,000 warrants with an exercise price of $2.95 were exercised, resulting in the issue of 180,000 common shares.

## 13. SHARE-BASED PAYMENT ARRANGEMENTS

***Omnibus Long-Term Incentive Plan (equity settled)***

On April 26, 2019, the Company adopted a long-term incentive plan (“LTIP”) to allow for a variety of equity-based awards that provide different types of incentives to be granted to the Company’s executive officers, directors, employees and consultants (options, stock appreciation rights (“SARs”), performance share units (“PSUs”), restricted stock units (“RSUs”) and deferred share units (“DSUs”)). Options, SARs, PSUs, RSUs and DSUs are collectively referred to herein as “Awards”. Each Award represents the right to receive common shares and in the case of SARs, PSUs, RSUs and DSUs, common shares or cash, in each case in accordance with the terms of the LTIP.

Under the terms of the LTIP, the Company’s board of directors may grant Awards to the Chief Executive Officer and Executive Chairman of the Company and review and approve the grant of Awards recommended by the Chief Executive Officer to other eligible participants. Participation in the LTIP is voluntary and if an eligible participant agrees to participate, the grant of Awards will be evidenced by a grant agreement with each such participant. The interest of any participant in any Award is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, other than by will or the laws of descent and distribution. The plan has a stated term of ten years and provides that the exercise of stock options granted will not be less than the market price of the Company’s common stock on the grant date. The plan does not specify grant dates or vesting schedules of awards as those determinations have been

delegated to a committee of the Company's Board of Directors. Each grant agreement reflects the vesting schedule for that particular grant as determined by the Committee.

The maximum number of common shares reserved for issuance, in the aggregate, under the LTIP is 10% of the aggregate number of common shares (assuming the conversion of all proportionate voting shares to common shares) issued and outstanding from time to time.

***Restricted stock units***

RSU awards currently outstanding generally vest in equal annual installments over a four-year period or cliff after a three-year period in each case, from the grant date. Each RSU grant is subject to service-based vesting, where a specific period of continued employment must pass before an award vests. For RSU grants, the expense is measured at the grant date as the fair value of the Company's common stock and expensed as stock-based compensation over the vesting term.

A summary of RSU activity is presented below:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| **Unvested, December 31, 2019** | 7,832,229 | $5.40 |
| Granted | 6,285,973 | 2.71 |
| Vested | (1,413,863) | 8.47 |
| Forfeited | (708,588) | 5.21 |
| **Unvested, December 31, 2020** | 11,995,751 | 3.64 |
| Granted | 3,564,365 | 6.88 |
| Vested | (3,473,235) | 5.27 |
| Forfeited | (1,310,433) | 5.48 |
| **Unvested, December 31, 2021** | 10,776,448 | $3.96 |

The following table presents information about the Company's RSUs for the period presented:

| | | Year ended | |
|---|---|---|---|
| (Dollars in thousands) | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Share-based compensation | $14,500 | $16,279 | $16,542 |

The following table presents information about the Company's RSUs as of the date presented:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Unrecognized compensation costs | $16,800 | $15,934 |
| Weighted average period over which compensation cost will be recognized (in years) | 2.7 | 2.5 |
| Maximum term relating to outstanding RSUs (in years) | 3.9 | 3.9 |
| Obligation to issue shares for RSUs vested during the year (in shares) | 1,402 | — |

***Performance share units***

On April 29, 2019, the Company granted total stockholder return awards ("TSR Awards") that include three-year and five-year market conditions, with corresponding performance measurement periods of three and five years. Vesting of the TSR Awards is based on the Company's level of attainment of specified TSR targets relative to the appreciation of the Company's common shares for the respective three-year and five-year periods and is also subject to the continued employment of the grantees.

Expected volatility is based on the historical volatility of the Company's stock price. The risk-free interest rates are based on quoted U.S. Treasury rates for securities with maturities approximating the awards' expected lives. Expected lives are principally based on the Company's historical exercise experience with previously issued awards. The expected dividend yield is zero as the Company has never paid dividends and does not currently anticipate paying any in the foreseeable future.

The fair value of the TSR Awards was determined using a Monte Carlo Simulation valuation model with the following weighted average inputs:

| | |
|---|---|
| Expected volatility | 70.00% |
| Expected life (in years) | 4.15 |
| Expected dividends | 0.00% |
| Risk-free interest rate | 1.55% |

During the years ended December 31, 2021, 2020 and 2019, the Company granted PSUs that will vest on the achievement of internal performance targets. The Company monitors the probability of achieving the performance targets on a quarterly basis and adjusts periodic compensation expense accordingly.

A summary of PSU and TSR activity is presented below:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| **Unvested, December 31, 2019** | 5,259,408 | $5.66 |
| Granted | 2,980,751 | 2.43 |
| Forfeited | (188,341) | 7.44 |
| **Unvested, December 31, 2020** | 8,051,818 | 4.42 |
| Granted | 655,093 | 7.81 |
| Vested | (114,957) | 2.07 |
| Forfeited | (765,662) | 5.78 |
| **Unvested, December 31, 2021** | 7,826,292 | $4.61 |

The following table presents information about the Company's PSUs and TSR activity:

| | Year ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Share-based compensation | $9,237 | $8,944 | $5,320 |

The following table presents information about the Company's PSUs and TSR as of the date presented:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Unrecognized compensation costs | $12,480 | $19,954 |
| Weighted average period over which compensation cost will be recognized (in years) | 1.9 | 2.5 |
| Maximum term relating to outstanding PSUs and TSRs (in years) | 2.3 | 3.3 |

***Stock Options***

The fair value of each stock option is estimated using the Black-Scholes option pricing model. The weighted average of inputs used in the measurement of the grant date fair value of the stock options for the year ended December 31, 2020, are summarized in the table below:

| | |
|---|---|
| Fair value at grant date (Canadian Dollars) | $10.90 |
| Strike price at grant date (Canadian Dollars) | $10.90 |
| Expected volatility | 70.00% |
| Expected life (in years) | 6.25 |
| Expected dividends | 0.00% |
| Risk-free interest rate | 1.59% |

Expected volatility is based on the historical volatility of the Company's stock price. The risk-free interest rates are based on quoted U.S. Treasury rates for securities with maturities approximating the awards' expected lives. Expected lives are principally based on the Company's historical exercise experience with previously issued awards. The expected dividend yield is zero as the Company has never paid dividends and does not currently anticipate paying any in the foreseeable future.

Stock option awards under the LTIP are granted with an exercise price equal to the fair value of the Company's common stock at the date of grant. All option awards have a ten-year contractual term and vest over four years.

A summary of option activity for the years ended December 31, 2021 and 2020 is presented below:

| | Stock Options | Weighted-Average Exercise Price (Canadian Dollars) | Weighted-Average Remaining Contractual Term (Years) |
|---|---|---|---|
| **Outstanding, December 31, 2019** | 55,384 | 10.90 | 3.3 |
| **Outstanding, December 31, 2020** | 55,384 | 10.90 | 2.3 |
| Forfeited | (27,692) | 10.90 | — |
| **Outstanding, December 31, 2021** | 27,692 | 10.90 | 1.3 |
| **Exercisable as of December 31, 2021** | 27,692 | 10.90 | — |

During the years ended December 31, 2021, the Company recorded an income of $64 and during the years ended December 31, 2020 and 2019, the Company recorded an expense of $98 and $107, respectively, related to equity-based compensation expense on the stock options.

***Common Shares***

During the year ended December 31, 2019, the Company granted 101,878 common shares to employees and consultants that vested in the same year. The Company recognized an expense of $453 for the year ended December 31, 2019, in connection with this issuance.

***Restricted Stock Awards ("RSA") and Unit programs (equity settled)***

In May 2016, the Company adopted the Capital Accumulation Plan ("the CAP Plan"), which provided employees and operating partners with a mechanism to participate in increases in value of the Company. As of the Acquisition Date, holders of CAP units received replacement stock-based awards. The CAP units were converted into RSAs based on the intrinsic value of the Company if it was liquidated at the close of business. The value of the replacement stock-based awards was designed to generally preserve the intrinsic value of the replaced awards immediately prior to the merger. Such RSAs remain subject to the same continuing restrictions applicable to the original CAP units. The Company did not recognize any incremental expense in connection with the conversion of CAP units to RSAs.

The number of units outstanding under the CAP Plan were as follows:

| | Units | Weighted-Average Threshold Amount |
|---|---|---|
| **Unvested, December 29, 2018** | 143,641 | $34.01 |
| Units granted | 582,886 | 52.19 |
| Units forfeited | (84,979) | 37.63 |
| **Unvested, December 31, 2019** | 641,548 | 51.05 |
| Units forfeited | (3,336) | 67.49 |
| Units converted to RSAs | (638,212) | 50.96 |
| **Unvested, December 31, 2020** | — | $ — |
| **Unvested, December 31, 2021** | — | $ — |

A summary of RSA activity for the years ended December 31, 2021 and 2020 is presented below:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| **Unvested, December 31, 2019** | 4,421,840 | $ 7.54 |
| Converted to common shares | (3,657,048) | 7.54 |
| Forfeited | (37,314) | 13.87 |
| **Unvested, December 31, 2020** | 727,478 | 7.19 |
| Forfeited | (65,464) | 12.12 |
| Converted to common shares | (486,588) | 6.46 |
| **Unvested, December 31, 2021** | 175,426 | $ 7.38 |

The following table presents information about the Company's CAP and RSA activity as of the date presented:

| | Year ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Share-based compensation | $1,345 | $4,484 | $10,481 |

The following table presents information about the Company's CAP and RSA as of the date presented:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Unrecognized compensation costs | $262 | $1,845 |
| Weighted average period over which compensation cost will be recognized (in years) | 0.5 | 1.1 |
| Maximum term relating to outstanding CAP and RSAs (in years) | 0.8 | 1.8 |

***Unit programs (liability settled)***

In May 2016, the Company adopted the Income Incentive Plan ("the IIP Plan"), which provides deferred compensation to designated employees and operating partners (the "IIP units").

In September 2019, holders of IIP units received replacement stock-based units ("RSU"). In September 2019, The IIP units were converted into RSUs based on the intrinsic value of the Company, as if it was liquidated at the Acquisition Date. The value of the RSUs was designed to generally preserve the intrinsic value of the replaced awards immediately prior to the conversion. Such RSUs remain subject to the same continuing restrictions applicable to the original IIP units. The Company did not recognize any incremental expense in connection with the conversion of IIP units to RSUs. Upon the conversion the Company reclassified deferred compensation of $15,308 into shareholders' equity.

Each RSU grant is subject to service-based vesting, where a specific period of continued employment must pass before an award vests.

The number of units outstanding under the IIP Plan are summarized in the table below:

| | Units | Weighted-Average Liquidation Value |
|---|---|---|
| **Unvested, December 31, 2019** | 629,277 | $51.29 |
| Units forfeited | (23,612) | 61.98 |
| Units converted to RSUs | (605,665) | 50.87 |
| **Unvested, December 31, 2020** | — | $ — |
| **Unvested, December 31, 2021** | — | $ — |

Deferred compensation expense related to the Company's IIP units was $5,502 for the year ended December 31, 2019.

## 14. INCOME TAXES

The components of tax expense (benefit) were as follows:

| | Year Ended | | |
|---|---|---|---|
| | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Current tax expense | | | |
| Federal | $ 20,519 | $ 3,979 | $ 1,078 |
| State | 5,732 | 822 | 397 |
| Total current tax expense | 26,251 | 4,801 | 1,475 |
| Deferred tax expense (benefit) | | | |
| Foreign | (1,936) | (2,289) | (595) |
| Federal | (15,008) | (8,897) | (6,463) |
| State | (10,998) | (1,400) | (3,746) |
| Total deferred tax expense (benefit) | (27,942) | (12,586) | (10,804) |
| Change in Valuation Allowance—US | (106) | (10,701) | 10,237 |
| Change in Valuation Allowance—Foreign | 1,936 | 2,289 | 595 |
| Provision for income taxes | $ 139 | $(16,197) | $ 1,503 |

The Company accounts for income taxes in accordance with ASC 740 – Income Taxes, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values and the tax bases for the respective items.

Columbia Care Inc is organized in Canada but operates inside the United States with the exception of foreign operations in Germany, Puerto Rico and the United Kingdom. Due to the Company’s structure, the Company is subject to income tax both in the United States and Canada. The Company maintains full valuation allowances on its net operating losses at each of the foreign jurisdictions it operates in, resulting in a 0% effective tax rate for the foreign jurisdictions. The Company’s domestic effective tax rate for the years ended December 31, 2021, 2020 and 2019 were (.1%), 11.9% and (1.5%), respectively.

The reconciliation of the Company's income tax expense (benefit) on income (loss) before taxes at the U.S. federal statutory rate compared to the Company's effective tax rate was as follows:

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2021 | | December 31, 2020 | | December 31, 2019 | |
| Loss before provision for income taxes | $(146,714) | | $(135,846) | | $(99,671) | |
| Tax using the company's domestic tax rate | (30,810) | 21.0% | (28,540) | 21.0% | (23,195) | 20.9% |
| Tax effect of: | | | | | | |
| State taxes, net of federal benefits | (5,276) | 3.6% | (273) | 0.2% | (2,639) | 2.6% |
| 280E limitations | 24,293 | (16.6)% | 11,410 | (8.4)% | — | (6.4)% |
| Partnership income | 1,141 | (0.8)% | 2,601 | (1.9)% | 6,088 | (6.1)% |
| Non-deductible expenses | 2,227 | (1.5)% | 7,936 | (14.2)% | 9,646 | (1.0)% |
| Share-based compensation | 6,727 | (4.6)% | 2,125 | (1.6)% | 1,221 | (1.2)% |
| Change in tax status | (670) | 0.5% | 291 | (0.2)% | (173) | 0.2% |
| Other | 2,507 | (1.7)% | (1,035) | 0.8% | 242 | (0.2)% |
| Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences | — | — | (10,712) | 7.9% | 10,313 | (10.3)% |
| | $ 139 | (0.1)% | $ (16,197) | 11.9% | $ 1,503 | (1.5)% |

The Company operates in the legal cannabis industry but is subject to Section 280E of the Internal Revenue Code ("IRC") which prohibits the Company from deducting non cost of goods sold related expenses. 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. The result of Section 280E's application to the Company results in permanent disallowance of ordinary and necessary business expenses. As a result of 280E the Company's effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss. The non-deductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying IRC Sec. 280E to the Company's businesses that are involved in selling cannabis, along with other permanent tax adjustments as prescribed by relevant tax code.

The tax effects of the temporary differences giving rise to deferred tax assets and deferred tax liabilities as of December 31, 2021, 2020 and 2019 are summarized in the table below:

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| ***Deferred Tax Assets*** | | | |
| Net Operating Loss Carryforwards | $ 9,783 | $ 3,244 | $ 710 |
| Derivative liability | 3,426 | — | — |
| Inventory | 788 | — | — |
| Stock Based Compensation | 7,815 | 12,695 | 10,460 |
| Capitalized Expenses | 3,742 | 2,381 | 1,567 |
| Reserves | 22,897 | 3,217 | — |
| Right of Use Assets | 41,999 | 25,995 | 13,910 |
| Sale Leaseback | 1,630 | 1,448 | 1,648 |
| Other Assets | 1,142 | 2,137 | 249 |
| Gross Deferred Tax Assets | 93,222 | 51,117 | 28,544 |
| Valuation Allowance | (4,876) | (3,046) | (11,458) |
| Total Deferred Tax Assets, net | 88,346 | 48,071 | 17,086 |
| ***Deferred Tax Liabilities*** | | | |
| Property, Plant and Equipment | (2,399) | (1,664) | (2,222) |
| Intangibles | (115,621) | (21,742) | — |
| Accruals | (1,126) | — | (816) |
| Debt discount | (7,784) | — | — |
| Right of Use Liabilities | (40,893) | (25,644) | (13,801) |
| Other Liabilities | — | (1,368) | (236) |
| Gross Deferred Tax Liabilities | $(167,823) | $(50,418) | $(17,075) |
| Net Deferred Tax Liabilities | $ 79,477 | $ 2,347 | $ — |
| Net Deferred Tax Assets | $ — | $ — | $ 11 |

Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's management assesses both positive and negative evidence regarding the Company's ability to realize its deferred tax assets and records a valuation allowance when it is more likely than not that deferred tax assets will not be realized. The valuation allowance as of December 31, 2021, 2020 and 2019 are $4,876, $3,046, and $11,458 respectively. The total change in 2021 valuation allowance, which was an increase of $1,830, is related to foreign activity and other activities. The total change in 2020 valuation allowance was a decrease of $8,412 related to foreign activity, acquisition activity, and other activities.

As of December 31, 2021, the Company has $518 of gross federal net operating loss carryforwards which will not expire. The Company has $49,870 of gross state net operating loss carryforwards which begin to expire in 2036. The company has $20,392 of gross foreign net operating loss carryforwards which begin to expire in 2027.

Under Internal Revenue Code Section, 382, utilization of net operating losses may be subject to annual limitations in the event of any significant future changes in its ownership structure. These annual limitations could adversely affect the company and result in the expiration of net operating losses prior to utilization.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state, and foreign jurisdictions, where applicable. Such examinations may result in future tax, penalty, and interest assessments by the respective taxing jurisdictions. For uncertain tax positions the Company believes does not meet the more likely that not threshold of being sustained upon examination by the relevant taxing authorities, the Company records a tax reserve in the period in which it arises. The company adjusts its unrecognized tax benefit liability and provision for income taxes in the period in which the uncertain tax position is settled, the statute of limitations expires for taxing authority to examine the position or when new information becomes available that requires a change in the recognition and/or measurement of the liability.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | |
|---|---|
| Balance as of December 31, 2019 | $ — |
| Increases (Decreases) for current year | 2,095 |
| Increases (Decreases) for prior years | 3,126 |
| Settlements | — |
| Reductions for Expiration of Statute of Limitations | — |
| Balance as of December 31, 2020 | 5,221 |
| Increases (Decreases) for current year | — |
| Increases (Decreases) for prior years | 183 |
| Settlements | — |
| Reductions for Expiration of Statute of Limitations | (1,293) |
| Balance as of December 31, 2021 | $ 4,111 |

As of December 31, 2021 the company had $4,111 of gross unrecognized tax benefits, $0 of which would impact the effective income tax rate if recognized. As of December 31, 2021, 2020 and 2019 the Company recognized interest and penalties related to uncertain tax positions of $800, $903, and $0, respectively. The unrecognized tax benefits recorded by the company relate to historical tax positions taken by businesses previously acquired by the Company. The Company is subject to indemnification of any assessments related to these specific positions and has established a receivable for the same amount of the reserve. The US federal statute of limitations remains open for the tax year 2018 through the present. The state return statute of limitations generally remains open for the tax year 2018 through the present.

## 15. EARNINGS PER SHARE

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

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Numerator: | | | |
| Net loss | $ (146,853) | $ (119,649) | $ (101,174) |
| Less: Net loss attributable to non-controlling interest | (3,756) | (23,862) | (4,909) |
| Net loss attributable to shareholders | $ (143,097) | $ (95,787) | $ (96,265) |
| Denominator: | | | |
| Weighted average shares outstanding—basic and diluted | 338,754,694 | 232,576,117 | 209,992,187 |
| Loss per share—basic and diluted | $ (0.42) | $ (0.41) | $ (0.46) |

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. The following table reflects the awards excluded.

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Warrants | 1,115,902 | 13,147,919 | 20,055,424 |
| Options | — | 55,384 | 55,384 |
| Convertible Debt | 17,780,750 | 6,670,449 | — |
| Share based payment | 10,103,325 | 20,047,569 | 13,091,637 |
| | 28,999,977 | 39,921,321 | 33,202,445 |

Prior periods have been converted into post-merger Shares for comparability.

## 16. LEASING ACTIVITIES

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent. The Company's real estate leases typically have terms of 1 to 15 years. Certain leases include extension options exercisable from one to five years before the end of the cancellable lease term. The Company typically leases equipment and vehicles with standard lease terms of 3 to 5 years. Expenses recognized relating to short-term leases and leases of low value during the years ended December 31, 2021 and 2020 were immaterial.

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2021 and 2020:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Weighted Average Remaining Lease Term** | | |
| Operating leases | 15.0 years | 14.4 years |
| Finance leases | 13.5 years | 16.5 years |
| **Weighted Average Discount Rate** | | |
| Operating leases | 7.02% | 7.02% |
| Finance leases | 7.67% | 7.05% |

The maturities of lease liabilities as of December 31, 2021 were as follows:

| | Operating | Finance |
|---|---|---|
| Year Ending December 31: | | |
| 2022 | $ 21,660 | $ 10,725 |
| 2023 | 21,964 | 10,695 |
| 2024 | 20,981 | 10,680 |
| 2025 | 19,306 | 8,344 |
| 2026 | 19,055 | 6,338 |
| Thereafter | 214,819 | 76,452 |
| Total lease payments | 317,785 | 123,234 |
| Less: interest | (132,725) | (47,874) |
| Present value of lease liabilities | $ 185,060 | $ 75,360 |
| Less current portion | (9,056) | (5,092) |
| Non-current portion | $ 176,004 | $ 70,268 |

The following summarizes the line items in the income statements which include the components of lease expense for the years ended December 31, 2021 and 2020:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Operating lease expense | $24,087 | $16,225 |
| Included in | | |
| Cost of sales | 21,962 | 8,839 |
| Selling, general and administrative expenses | 2,125 | 7,386 |
| Finance lease costs: | $ 9,928 | $ 2,785 |
| Amortization of lease assets included in cost of sales | 3,836 | 759 |
| Amortization of lease assets included in selling, general and administrative costs | 812 | 537 |
| Interest on lease liabilities included in interest (expense) income, net | 5,280 | 1,489 |
| Total lease costs | $34,015 | $19,010 |

The following summarizes cash flow information related to leases for the year ended December 31, 2021 and 2020:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $21,355 | $14,630 |
| Operating cash flows from finance leases | $ 5,273 | $ 1,475 |
| Financing cash flows from finance leases | $ 9,664 | $ 734 |
| Lease assets obtained in exchange for lease obligations: | | |
| Operating leases | $47,931 | $38,008 |
| Finance leases | $19,024 | $ 2,924 |
| Lease assets obtained in business acquisitions | | |
| Operating leases | $ 1,453 | $34,057 |
| Finance leases | $ 1,876 | $48,736 |

## 17. COMMITMENTS AND CONTINGENCIES

*Defined contribution plan*

In 2020, the Company instituted a qualified 401(k) plan (the "401(k) Plan") for its U.S. employees. The 401(k) Plan covers U.S. employees who meet certain eligibility requirements. Under the terms of the 401(k) Plan, the employees may elect to make contributions through payroll deductions within statutory and plan limits, and the Company may elect to make non-elective discretionary contributions. The Company may also make optional contributions to the 401(k) Plan for any plan year at its discretion.

Expense recognized by the Company for matching contributions made to the 401(k) Plan was $550, and $191 for years ended December 31, 2021, and December 31, 2020, respectively.

*Indemnification agreements*

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 any indemnifications in its 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 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, as of December 31, 2021 and December 31, 2020, the Company had a total accrual of $11,425 and $15,195, respectively. During the year ended December 31, 2021, the Company made a payment of $11,425. A final payment of $11,425 was made on January 25, 2022, in accordance with the settlement and release agreement.

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 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 was approved by the Arbitrator on November 16, 2021 but remains subject to regulatory approval in the District of Columbia. During the year ended December 31, 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, 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.

## 18. 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 |
|---|---|---|---|---|
| **December 31, 2021** | | | | |
| Derivative liability | $— | $— | $ (6,795) | $ (6,795) |
| Contingent consideration | | | (40,941) | (40,941) |
| Total | $— | $— | $(47,736) | $(47,736) |
| Derivative liability | $— | $— | $(17,109) | $(17,109) |
| Contingent consideration | — | — | (48,202) | (48,202) |
| **December 31, 2020** | $— | $— | $(65,311) | $(65,311) |

During the period included in these financial statements, there were no transfers of amounts between levels. For fair value measurements of assets and liabilities that are done on a non-recurring basis, refer to Note 20.

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 December 31, 2021 and 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.

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 December 31, 2021 and 2020. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

Financial assets and liabilities for which the carrying values approximate their fair values include cash and cash equivalents, restricted cash, accounts receivable included within prepaid expenses and other assets, dividends payable and accrued liabilities and other payables. Generally, these assets and liabilities are short term in duration and their carrying value approximates fair value on the consolidated balance sheets.

## 19. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

| | Goodwill | Licenses | Trademarks | Customer Relationships | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of December 31, 2020 | $137,759 | $ 68,193 | $33,043 | $ 3,286 | $242,281 |
| Business acquisitions | 118,587 | 217,661 | 26,651 | 49,214 | 412,113 |
| Impairment | (72,328) | — | — | — | (72,328) |
| Balance of December 31, 2021 | $184,018 | $285,854 | $59,694 | $52,500 | $582,066 |

| | Goodwill | Licenses | Trademarks | Customer Relationships | Total |
|---|---|---|---|---|---|
| **Accumulated Amortization** | | | | | |
| As of December 31, 2020 | $— | $ (3,096) | $(1,028) | $ (56) | $ (4,180) |
| Amortization | — | (16,175) | (6,009) | (3,897) | (26,081) |
| Balance of December 31, 2021 | $— | $(19,271) | $(7,037) | $(3,953) | $(30,261) |

| | Goodwill | Licenses | Trademarks | Customer Relationships | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of December 31, 2019 | $ — | $16,235 | $ — | $ — | $ 16,235 |
| Business acquisitions | 137,759 | 51,958 | 33,043 | 3,286 | 226,046 |
| Balance of December 31, 2020 | $137,759 | $68,193 | $33,043 | $3,286 | $242,281 |

| | Goodwill | Licenses | Trademarks | Customer Relationships | Total |
|---|---|---|---|---|---|
| **Accumulated Amortization** | | | | | |
| As of December 31, 2019 | $— | $ (540) | $ — | $— | $ (540) |
| Amortization | — | (2,556) | (1,028) | (56) | (3,640) |
| Balance of December 31, 2020 | $— | $(3,096) | $(1,028) | $ (56) | $(4,180) |

The carrying value of goodwill in each reporting unit is indicative of the expected growth and development of the business. In the fourth quarter of fiscal 2021, the Company identified qualitative indicators of impairment as a result of a strategic reassessment of its business, including an evaluation of current operations and its future growth outlook due to changing consumer trends within certain markets. The decision to reduce the long-term growth outlook resulted in a downward adjustment of the future financial forecasts for the Company's Colorado, California and Pennsylvania business, which indicated that impairment of the goodwill asset was a more-likely-than-not outcome. A qualitative step zero impairment test was performed on the Pennsylvania business which indicated no impairment. The Company conducted

a quantitative impairment analysis of its Colorado and California reporting units using the income approach as at October 1, 2021.

The recoverable amount of the reporting unit to which goodwill is allocated and the asset group to which indefinite life intangibles are allocated were determined based on fair value using Level 3 inputs in a discounted cash flow analysis. Management tested the Colorado and California asset groups for the definite lived assets impairment. The result was not impairment for the definite lived assets of the California and Colorado asset groups. Where applicable, the Company uses its market capitalization and comparative market multiples to corroborate discounted cash flow results. The significant assumptions applied in the determination of the recoverable amount are described below:

i. Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. Estimated cash flows are primarily driven by sales volumes, selling prices and operating costs. The forecasts are extended to a total of five years (and a terminal year thereafter);

ii. Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth;

iii. Post-tax discount rate: The post-tax discount rate is reflective of the reporting unit's Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a direct comparison approach, an unsystematic risk premium, and after-tax cost of debt based on corporate bond yields; and

iv. Tax rate: The tax rates used in determining the future cash flows were those substantively enacted at the respective valuation date.

The following table outlines the key assumptions used in calculating the recoverable amount for each CGU and operating segment tested for impairment as at October 1, 2021:

| | Goodwill impairment testing | |
|---|---|---|
| | **Colorado** | **California** |
| Significant estimates used by management | | |
| Years of cash flows before terminal value | 5 | 5 |
| Discount rate | 15.5% | 18.0% |
| Terminal value multiple / rate | 3.0% | 3.0% |

Based on the results of the goodwill impairment test, the carrying value of the Colorado and California reporting units exceeded the fair value and the Company recognized a pre-tax impairment loss of $51,235 and $21,093 during the year ended December 31, 2021, relating to these reporting units.

The Company will continue to monitor the impact of the goodwill associated with this reporting unit, and should it suffer additional declines in actual or forecasted financial results, the risk of goodwill impairment would increase.

In connection with the annual goodwill impairment assessment as of October 1, 2020, the Company determined that its goodwill was not impaired.

Selling, general and administrative expenses included the following:

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Goodwill impairment | $72,328 | $ — | $— |
| Amortization expenses | 26,081 | 3,640 | 540 |

The below table summarizes the estimated aggregate amortization expense expected to be recognized on the intangible assets:

| Future estimated amortization expense: | Amount |
|---|---|
| 2022 | $ 44,653 |
| 2023 | 44,623 |
| 2024 | 44,623 |
| 2025 | 44,493 |
| 2026 | 40,830 |
| 2027 and thereafter | 148,565 |
| Total | $367,787 |

During the year ended December 31, 2019, the Company changed the estimated useful life of a license to operate a dispensary in the state of Florida from an indefinite life to 15 years. The change in estimate was determined in connection with a review of the regulatory environment in Florida and industry peers. Refer to Note 6 for details of purchase price allocations to intangible assets as a result of the acquisitions during the year ended December 31, 2021.

## 20. NET ASSETS HELD FOR SALE

During the second quarter of 2020, the Company committed to a plan to sell its Puerto Rico operations. Accordingly, certain of the assets and liabilities held by the Company's Puerto Rico subsidiary were presented as a disposal group held for sale on the consolidated balance sheet as of December 31, 2020. During the year ended December 31, 2021, the Company reassessed the fair value of the net assets held for sale and deemed that the same was negligible. Accordingly, the Company wrote down to zero, the fair value of the net assets held for sale.

Additionally, as of December 31, 2021, certain of the Company's assets were classified as held for sale. See Note 6 for further details.

Impairment losses of $2,000 and $1,969 for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in other (expense) income, net in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2021 and 2020.

These planned disposals did not represent a strategic shift of the Company that had or will have a major effect on the Company's operations and financial results. Accordingly, the operations were not segregated and were presented as continuing operations in the consolidated statements of operations and comprehensive

loss for the years ended December 31, 2021 and 2020. The disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Property, plant and equipment | $ 1,040 | $ 2,014 |
| Right-of-use assets | 1,080 | 1,435 |
| Prepaid expenses and other current assets | — | 34 |
| **Assets held for sale** | $ 2,120 | $ 3,483 |
| Lease liabilities | $(1,122) | $(1,483) |
| **Liabilities held for sale** | $(1,122) | $(1,483) |

The non-recurring fair value measurement for the disposal group has been categorized as a Level 3 fair value utilizing Level 3 inputs and using a market approach, based on available data for transactions in the region and discussions with potential acquirers.

## 21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accrued expenses and settlement of pre-existing relationships | $ 86,596 | $ — |
| Taxes—property and other | 14,062 | — |
| Payroll liabilities | 12,799 | 8,758 |
| Other accrued expenses | 6,035 | 28,152 |
| Other current liabilities | 4,673 | 5,950 |
| Construction in progress | 2,789 | — |
| **Accrued expenses and other current liabilities** | $126,954 | $42,860 |

## 22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of the Company's selling, general and administrative expenses are summarized in the table below:

| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Salaries and benefits | $ 82,063 | $ 43,957 | $ 27,770 |
| Equity-based compensation | 25,018 | 29,805 | 38,405 |
| Professional fees | 21,440 | 17,887 | 24,171 |
| Depreciation and amortization | 36,321 | 6,053 | 3,411 |
| Operating facilities costs | 31,562 | 19,332 | 13,012 |
| Operating office and general expenses | 14,691 | 10,157 | 7,708 |
| Advertising and promotion | 16,255 | 6,083 | 5,792 |
| Other fees and expenses | 4,702 | 9,081 | 3,317 |
| **Total operating expenses** | $232,052 | $142,355 | $123,586 |

## 23. OTHER (EXPENSE) INCOME, NET

Details of the Company's other (expense) income, net is summarized in the table below:

| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Acquisition and settlement of pre-existing relationships | $ 75,655 | $14,195 | $ — |
| (Gain) loss on remeasurement of contingent consideration | (59,362) | 21,757 | — |
| Change in fair value of the derivative liability | (13,286) | 11,745 | — |
| Impairment of disposal group | 2,000 | 1,969 | — |
| Loss on conversion of Convertible Notes | 1,580 | — | — |
| Other (income) expense, net | (252) | (368) | (2,992) |
| **Total other expense (income), net** | $ 6,335 | $49,298 | $(2,992) |

## 24. NON-CONTROLLING INTERESTS

The non-controlling interests of the Company for each affiliate before intercompany elimination are summarized in the tables below:

| Summarized balance sheet | Venture Forth | Columbia Care Arizona-Tempe | Columbia Care Delaware | Columbia Care Puerto Rico | Columbia Care Maryland | Columbia Care Eastern Virginia | Columbia Care International HoldCo | Columbia Care New Jersey | Access Bryant | Columbia Care Ohio | Columbia Care Missouri | Other | Green Leaf Medical Inc * | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2021 | | | | | | | | | | | | | |
| Current assets | $ 2,224 | $ 2,731 | $ 4,140 | $ 169 | $ 875 | $ 4,029 | $ 544 | $ 8,149 | $ 768 | $ 2,937 | $ 328 | $ 922 | $ 4,116 | $ 31,932 |
| Current liabilities | (1,643) | (50) | (1,938) | (66) | (300) | (3,679) | (644) | (7,022) | (799) | (1,285) | (323) | (382) | (2,301) | (20,432) |
| Current net assets (liabilities) | 581 | 2,681 | 2,202 | 103 | 575 | 350 | (100) | 1,127 | (31) | 1,652 | 5 | 540 | 1,815 | 11,500 |
| Non-current assets | 1,638 | 796 | 11,918 | — | 850 | 27,279 | 5,323 | 50,788 | 603 | 27,000 | 5,785 | 1,105 | 1,837 | 134,922 |
| Non-current liabilities | (18,740) | (1,658) | (14,674) | (9,951) | (3,431) | (29,889) | (3,166) | (56,989) | (408) | (32,107) | (7,148) | (1,821) | (779) | (180,761) |
| Non-current net assets (liabilities) | (17,102) | (862) | (2,756) | (9,951) | (2,581) | (2,610) | 2,157 | (6,201) | 195 | (5,107) | (1,363) | (716) | 1,058 | (45,839) |
| Accumulated NCI | $(19,114) | $ 283 | $ — | $ — | $ (80) | $ (105) | $ — | $ (277) | $ (50) | $ 1 | $(1,360) | $ 5 | $ 129 | $ (20,568) |

| Summarized balance sheet | Venture Forth | Columbia Care Arizona-Tempe | Columbia Care Delaware | Columbia Care Puerto Rico | Columbia Care Maryland | Columbia Care Florida | Columbia Care Eastern Virginia | Columbia Care International HoldCo | Columbia Care New Jersey | Access Bryant | Leafy Greens | Columbia Care Ohio | Columbia Care Missouri | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | | | | | | | | | | |
| Current assets | $ 1,231 | $ 2,709 | $ 4,158 | $ 3,648 | $ 464 | $ 8,204 | $ 259 | 384 | 2,318 | 364 | $ 11 | $ 2,597 | $ 259 | $ 26,606 |
| Current liabilities | (1,166) | (50) | (433) | (1,573) | (186) | (5,017) | (404) | (505) | (390) | (235) | (44) | (368) | (404) | (10,775) |
| Current net assets (liabilities) | 65 | 2,659 | 3,725 | 2,075 | 278 | 3,187 | (145) | (121) | 1,928 | 129 | (33) | 2,229 | (145) | 15,831 |
| Non-current assets | 1,956 | 696 | 11,005 | — | 1,247 | 62,994 | 17,102 | 5,707 | 26,304 | 613 | 906 | 14,368 | 17,102 | 160,000 |
| Non-current liabilities | (17,114) | (1,634) | (17,396) | (9,146) | (2,932) | (80,629) | (19,674) | (1,590) | (31,877) | (482) | (948) | (20,478) | (19,674) | (223,574) |
| Non-current net assets (liabilities) | (15,158) | (938) | (6,391) | (9,146) | (1,685) | (17,635) | (2,572) | 4,117 | (5,573) | 131 | (42) | (6,110) | (2,572) | (63,574) |
| Accumulated NCI | $(17,688) | $ 273 | $ — | $(3,606) | $ (56) | $ — | $ (134) | $ 5,472 | $ (177) | $ (2) | $— | $ (3,880) | $ (77) | $ (19,875) |

The net change in the non-controlling interests is summarized in the table below:

| | Venture Forth | Columbia Care Arizona-Tempe | Columbia Care Delaware | Columbia Care Puerto Rico | Columbia Care Maryland | Columbia Care Florida | Columbia Care East Virginia | Columbia Care International HoldCo | Columbia Care New Jersey | Access Bryant | Leafy Greens | Columbia Care Ohio | Columbia Care Missouri | Green Leaf Medical Inc* | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2019** | **$ (2,659)** | **$ 563** | **$(221)** | **$(1,507)** | **$(27)** | **$ 1,479** | **$ (32)** | **$ —** | **$—** | **$—** | **$ (99)** | **$ —** | **$ —** | **$—** | **$—** | **$ (2,503)** |
| Net income (loss) attributable to NCI | (15,029) | (290) | 221 | (2,099) | (29) | (2,240) | (102) | (37) | (177) | (2) | (121) | (3,880) | (77) | — | — | (23,862) |
| Other adjustments | — | — | — | — | — | 761 | — | 5,509 | — | — | 220 | — | — | — | — | 6,490 |
| **Balance, December 31, 2020** | **$(17,688)** | **$ 273** | **$—** | **$(3,606)** | **$(56)** | **$ —** | **$(134)** | **$ 5,472** | **$(177)** | **$ (2)** | **$—** | **$(3,880)** | **$ (77)** | **$—** | **$—** | **$(19,875)** |
| Net income (loss) attributable to NCI | (1,426) | 10 | — | (1,416) | (24) | — | 29 | (21) | (100) | (48) | — | 389 | (1,283) | 129 | 5 | (3,756) |
| Other adjustments | — | — | — | 5,022 | — | — | — | (5,451) | — | — | — | 3,492 | — | — | — | 3,063 |
| **Balance, December 31, 2021** | **$(19,114)** | **$ 283** | **$—** | **$ —** | **$(80)** | **$ —** | **$(105)** | **$ —** | **$(277)** | **$ (50)** | **$—** | **$ 1** | **$(1,360)** | **$129** | **$ 5** | **$(20,568)** |

* Represents non-controlling interests acquired as a result of the Green Leaf Transaction.

During the year ended December 31, 2021, in connection with the Company's plan to sell its Puerto Rico operations, the Company reclassified its outstanding non-controlling interest balance to equity. Additionally, during the year ended December 31, 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.

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 year ended December 31, 2020, Leafy Greens Inc, a subsidiary that was consolidated by the Company as of December 31, 2019, issued membership interests to an unrelated party for a consideration of $1,000, resulting in loss of control by the Company. Refer to Note 2 for details of the transaction.

## 25. VALUATION AND QUALIFYING ACCOUNTS

| | Balance at Beginning of Year | Charged to income | Acquired through business combinations | Deductions from reserve | Other adjustments | Balance at Beginning of Year |
|---|---|---|---|---|---|---|
| **Allowance for doubtful accounts, including credit card reserves** | | | | | | |
| Year ended December 31, 2021 | $2,053 | $746 | $ — | $(257) | $— | $2,542 |
| Year Ended December 31, 2020 | $ 53 | 135 | $1,865 | $— | $— | $2,053 |

## 26. SUBSEQUENT EVENTS

The Company has evaluated all events and transactions that occurred after December 31, 2021 through the filing of these audited annual financial statements. Certain subsequent events noted in these audited annual financial statements include the definitive arrangement agreement with Cresco Labs as described in Note 1, the private placement of term debt as described in Note 5, resolution of a legal matter as described in Note 17 and exercise of warrants mentioned in Note 12. With the exception of these events, no events have occurred that would require adjustment to the disclosures in these audited annual consolidated financial statements.