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

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

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

OVERVIEW OF COLUMBIA CARE

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

COLUMBIA CARE OBJECTIVES AND FACTORS AFFECTING OUR PERFORMANCE

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

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

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

<u>Branding</u>

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

<u>Regulation</u>

We are subject to the local and federal laws in the jurisdictions in which we operate. Outside of the United States, our products may be subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods. We hold all required licenses for the production and distribution of our products in the jurisdictions in which we operate and continuously monitor changes in laws, regulations, treaties and agreements. 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 Rohrabacher-Farr Amendment was renewed most recently in the Omnibus Appropriations Act of 2021, which funds the agencies of the federal government through September 30, 2021. On September 30, 2021, the Amendment was extended through the signing of a continuing resolution, effective through February 18, 2021, and has since been extended again until 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.

<u>Product Innovation and Consumer Trends</u>

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

Growth Strategies

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

Recent Announcement

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)

SELECTED FINANCIAL INFORMATION

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

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

Statement of Operations:

	Three months ended			
	March 31, 2022	**March 31, 2021**	**$ Change**	**% Change**
Revenue	$ 123,087	$ 86,095	$ 36,992	43%
Cost of sales related to inventory production	(66,460)	(52,307)	(14,153)	27%
Cost of sales related to business combination fair value adjustments to inventories	—	(140)	140	-100%
Gross profit	56,627	33,648	22,979	68%
Selling, general and administrative expenses	(71,292)	(48,034)	(23,258)	48%
Loss from operations	(14,665)	(14,386)	(279)	2%
Other expense, net	(12,609)	(5,259)	(7,350)	140%
Income tax expense	(632)	(9,518)	8,886	-93%
Net loss	(27,906)	(29,163)	1,257	-4%
Net loss attributable to non-controlling interest	(1,270)	(381)	(889)	233%
Net loss attributable to Columbia Care Inc.	$ (26,636)	$ (28,782)	$ 2,146	-7%
Loss per share attributable to Columbia Care Inc. - based and diluted	$ (0.07)	$ (0.10)	$ 0.03	-28%
Weighted average number of shares outstanding - basic and diluted	376,397,260	294,815,943		

Summary of balance sheet items:

	March 31, 2022	December 31, 2021
Total Assets	$ 1,482,443	$ 1,376,512
Total Liabilities	$ 952,743	$ 825,689
Total Long-Term Liabilities	$ 729,908	$ 581,692
Total Equity	$ 529,700	$ 550,823

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2022 and 2021

The following tables summarizes our results of operations:

	Three Months Ended			
	March 31, 2022	March 31, 2021	$ Change	% Change
Revenue	$ 123,087	$ 86,095	$ 36,992	43%
Cost of sales related to inventory production	(66,460)	(52,307)	(14,153)	27%
Cost of sales related to business combination fair value adjustments to inventory	—	(140)	140	-100%
Gross profit	56,627	33,648	22,979	68%
Operating expenses	(71,292)	(48,034)	(23,258)	48%
Loss from operations	(14,665)	(14,386)	(279)	2%
Other expense, net	(12,609)	(5,259)	(7,350)	140%
Loss before income taxes	(27,274)	(19,645)	(7,629)	39%
Income tax expense	(632)	(9,518)	8,886	-93%
Net loss	(27,906)	(29,163)	1,257	-4%
Net loss attributable to non-controlling interests	(1,270)	(381)	(889)	233%
Net loss attributable to Columbia Care Inc.	$ (26,636)	$ (28,782)	$ 2,146	-7%

Revenues

The increase in revenue of $36,992 for the three months ended March 31, 2022, as compared to the prior year period was primarily driven by the expansion of our existing wholesale and retail network and our recent acquisitions. Our revenue is predominantly generated by retail sales which increased by $37,575 during the three months ended March 31, 2022 as compared to the prior year period.

During the three months ended March 31, 2022, we experienced a revenue reduction of $1,864 due to organic movement which includes our Legacy Columbia Care network as well as our acquisitions of (a) The Green Solution LCC ("the Green Solution"), (b) Resource Referral Services Inc., PHC Facilities Inc. and Wellness Earth Energy Dispensary, Inc., and a 49.9% ownership interest in Access Bryant SPC (collectively, "Project Cannabis"), (c) The Healing Center San Diego, Inc. ("the Healing Center"),. Our existing wholesale and retail network contributed to revenue reduction of $5,241 and the expansion of new wholesale and retail facilities contributed to revenue growth of $3,376 as compared to the prior period. Our acquisitions of (a) Cannascend Alternative, LLC and Cannascend Alternative Logan, LLC (together "Cannascend"), (b) Corsa Verde LLC ("Corsa Verde"), (c) Green Leaf Medical, LLC ("gLeaf") and (d) Futurevision 2020, LLC and Futurevision Holdings, Inc. d/b/a Medicine Man (together, "Medicine Man") contributed to an additional increase in revenue by $38,856 during the three months ended March 31, 2022, as compared to the prior period. Revenue increased by $38,702 related to our acquired retail facilities and $154 related to our acquired wholesale facilities.

Cost of Sales

The increase in cost of sales of $14,013 for the three months ended March 31, 2022 as compared to the prior year period was primarily driven by the expansion of our existing wholesale and retail network and our recent acquisitions.

During the three months ended March 31, 2022, we experienced a cost of sales reduction of $3,042 when compared to the prior period due to organic growth which includes our Legacy Columbia Care network as well as our acquisitions of the Green Solution, Project Cannabis and the Healing Center. Our existing wholesale and retail network contributed to a cost of sales reduction of $5,942 and the expansion of new wholesale and retail facilities contributed to a cost of sales growth of $2,900 as compared to the prior period. Our acquisitions of, Cannascend, Corsa Verde, gLeaf and Medicine Man contributed to an additional $17,055 of cost of sales during the three months ended March 31, 2022, as compared to the prior period. Cost of sales increased by $16,706 related to our acquired retail facilities and $349 related to our acquired wholesale facilities.

Gross Profit

The increase in gross profit of $22,979 for the three months ended March 31, 2022, as compared to the prior year period was primarily driven by the expansion of our existing wholesale and retail network and our recent acquisitions.

During the three months ended March 31, 2022 we experienced a gross profit increase of $1,178 when compared to the prior period due to organic growth which includes our Legacy Columbia Care network as well as our acquisitions of the Green Solution, Project Cannabis and the Healing Center. Our existing wholesale and retail network contributed to a gross margin increase of $701 as compared to the prior period. Our acquisitions of Cannascend, Corsa Verde, gLeaf and Medicine Man contributed to an additional $21,801 of gross profit during the three months ended March 31, 2022, as compared to the prior year. Gross profit increased by $21,996 related to our acquired retail facilities and decreased $195 related to our acquired wholesale facilities.

Operating Expenses

The increase of $23,258 in operating expenses for the three months ended March 31, 2022 as compared to the prior year period was primarily attributable to an increase in depreciation and amortization of $10,573, salary and benefits of $6,091, operating facility costs of $3,449, advertising and promotion expense of $1,677 and professional expenses of $1,484 as we expanded our operations and increased the size and scope of our administrative functions.

Other Expense, Net

The decrease in other expense, net for the three months ended March 31, 2022 as compared to the prior year period was primarily due to increase in rental income of $762 which was partially offset by the change in fair value of derivative liability of $504.

Provisions for Income Taxes

The Company recorded income tax expense of $632 for the three months ended March 31, 2022, as compared to income tax expense of $9,518 for the three months ended March 31, 2021.

The Company’s current tax expense has increased in the current period, however, the decrease in in total tax expense is largely due to the Company’s previous acquisition activity that had generated deferred tax liabilities now giving rise to a deferred tax benefit. The Company operates in the legal cannabis industry but is subject to Section 280E of the Internal Revenue Code (“Section 280E”) which prohibits the Company from deducting non cost of goods sold related expenses. 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.

Non-GAAP Measures

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

The following table provides a reconciliation of net loss for the period to EBITDA and Adjusted EBITDA for the three months ended March 31, 2022:

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net loss	$ (27,906)	$ (29,163)
Income tax	632	9,518
Depreciation and amortization	21,210	8,523
Interest expense, net and debt amortization	12,670	5,006
EBITDA (non-GAAP measure)	$ 6,606	$ (6,116)
Adjustments:		
Share-based compensation	6,374	7,786
Fair value mark-up for acquired inventory	—	140
Adjustments for acquisition and other non-core costs*	3,169	1,769
Fair-value changes on derivative liabilities	683	179
Adjusted EBITDA (non-GAAP measure)	$ 16,832	$ 3,758
Revenues	$ 123,087	$ 86,095
Adjusted EBITDA (non-GAAP measure)	$ 16,832	$ 3,758
Adjusted EBITDA margin (non-GAAP measure)	13.7%	4.4%
Revenues	$ 123,087	$ 86,095
Gross profit	$ 56,627	$ 33,648
Gross margin	46.0%	39.1%

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

Adjusted EBITDA

The increase in Adjusted EBITDA for the three months ended March 31, 2022, as compared to the prior year period, was primarily driven by improved gross margins and a greater operating income.

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

Liquidity and Capital Resources

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

We are currently meeting our obligations as they become due and are earning revenues from our operations. However, we have sustained losses since inception, we may require additional capital in the future. We estimate that based on our current business operations and working capital, we will continue to meet our obligations as they become due in the short term. As we continue to seek growth through expansion or acquisition, our cash flow requirements and obligations could materially change. As of March 31, 2022, we did not have any significant external capital requirements.

Recent Financing Transactions

Private Placement

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

Cash Flows

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net cash used in operating activities	$ (27,822)	$ (3,488)
Net cash used in investing activities	(29,555)	(10,141)
Net cash provided by financing activities	144,253	129,016
Net increase (decrease) in cash and cash equivalents	$ 86,876	$ 115,387

Operating Activities

During the three months ended March 31, 2022, operating activities used $27,822 of cash, primarily resulting from net loss of $27,906, and net changes in operating assets and liabilities of $25,932, partially offset by depreciation and amortization of $21,210, equity-based compensation expense of $6,374, and debt amortization expense of $1,936, change in fair value of derivative liability of $683 partially offset by change in deferred taxes of $4,560. The net change in operating assets and liabilities was primarily due to an increase in inventory of $14,851, decrease in accrued expenses and other current liabilities of $8,037, accounts payable of $12,072 and increase in other assets of $6,111 and decrease in prepaid expenses and other current assets of $1,942 as partially offset by an increase in other long-term liabilities by $6,299.

During the three months ended March 31, 2021, operating activities used $3,488 of cash, primarily resulting from net loss of $29,163, that was partially offset by depreciation and amortization of $8,523, equity-based compensation expense of 7,786, changes in deferred taxes of $5,319 and net changes in operating assets and liabilities of $2,543.

Investing Activities

During the three months ended March 31, 2022, investing activities used $29,555 of cash, purchases of property and equipment of $29,511 partially offset by proceeds from sale of property and equipment of $179.

During the three months ended March 31, 2021, investing activities used $10,141 of cash primarily for purchases of property and equipment of $7,232 and business acquisitions of $2,727.

Financing Activities

During the three months ended March 31, 2022, financing activities provided $144,253 of cash, $145,984 in net proceeds received from issuance of debt partially offset by lease liability payments of $1,642.

During the three months ended March 31, 2021, financing activities provided $129,016 of cash primarily from issuance of debt of $133,436 that was partially offset by repayment of sellers note of $3,877 and payment of lease liabilities of $1,351.

Contractual Obligations and Commitments

The following table summarizes contractual obligations as of March 31, 2022 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period						
	Total	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6 and beyond**
Lease commitments	$ 447,874	$ 24,555	$ 33,851	$ 32,867	$ 28,872	$ 26,276	$ 301,453
Sale-Leaseback commitments	233,430	9,536	9,844	10,162	10,490	10,829	182,569
2026 Notes	185,000	—	—	—	185,000	—	—
Term debt (principal)	38,215	—	38,215	—	—	—	—
Acquisition related term debt	3,289	101	106	110	114	119	2,739
Interest on term debts and notes	77,788	23,925	18,347	17,696	16,729	112	979
Convertible debt (principal)	80,100	—	5,600	—	74,500	—	—
Interest on convertible debt	14,981	4,750	4,671	4,470	1,090	—	—
Mortgage notes (principal)	19,903	374	388	414	439	18,288	—
Mortgage notes (interest)	5,347	1,145	1,131	1,105	1,080	886	—
Closing promissory note (principal)	4,500	1,500	1,500	1,500	—	—	—
Closing promissory note (interest)	585	315	195	75	—	—	—
Acquisition related real estate notes (principal)	7,000	—	2,000	5,000	—	—	—
Acquisition related real estate notes (interest)	975	540	360	75	—	—	—
Acquisition and settlement of pre-existing relationships	26,000	26,000	—	—	—	—	—
Total contractual obligations	$1,144,987	$ 92,741	$ 116,208	$ 73,474	$ 318,314	$ 56,510	$ 487,740

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

Effects of Inflation

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

Critical Accounting Estimates

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

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

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

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

Financial Risk Management

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

Credit Risk

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

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

Liquidity Risk

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

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

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

Market Risk

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

Interest Rate Risk

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

Currency Risk

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

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

Price Risk

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant material changes to the market risks as disclosed in the Company's Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures.

Background

As previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting, relating to the lack of appropriate controls over management's fair value modeling of complex accounting and financial reporting issues in the impairment testing of goodwill and intangible assets.

Disclosure Controls and Procedures

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

Changes in Internal Control

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

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2021, except as disclosed in Item 1A of our registration statement on Form 10, filed on May 9, 2022, which is incorporated by reference herein.

Item 2. Unregistered Sales of Securities and Use of Proceeds

During the three months ended March 31, 2021, Columbia Care issued 237,486 common shares pursuant to its long-term incentive plan ("LTIP").

The Company relied on the exemption from registration provided by Rule 701 of the Securities Act of 1933, as amended, Securities Act to issue securities to its employees, consultants, officers and directors pursuant to the LTIP.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibit Index

Exhibit Number	Description
2.1	Arrangement Agreement, dated March 23, 2022, between Cresco Labs Inc. and Columbia Care Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on March 29, 2022)
3.1	Articles of Columbia Care Inc. (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.1	Warrant Agency Agreement dated September 20, 2018 between Canaccord Genuity Growth Corp. and Odyssey Trust Company (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.2	Warrant Agreement dated April 26, 2019 between Columbia Care Inc. and Canaccord Genuity Corp. (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.3	Trust Indenture made as of March 31, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.4	Warrant Indenture dated March 31, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.5	Trust Indenture made as of May 14, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.6	Warrant Indenture dated May 14, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.6 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.7	First Supplemental Indentures dated as of June 19, 2020 between Columbia Care Inc and Odyssey Trust Company (incorporated by reference to Exhibit 4.7 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.8	Warrant Indenture dated July 2, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.9	Warrant Indenture dated October 29, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.9 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.10	Second Supplemental Indenture dated June 29, 2021 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.10 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on January 28, 2022)
4.11	Third Supplemental Indenture dated February 2, 2022 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.11 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on February 15, 2022)
4.12	Fourth Supplemental Indenture dated February 3, 2022 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.12 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on February 15, 2022)
10.1	Form of Voting Support Agreement (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed with the SEC on March 29, 2022)
10.2	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K, filed with the SEC on March 29, 2022)
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1‡	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2‡	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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* Filed herewith.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLUMBIA CARE INC

Date:5/16/2022

By: /s/ Nicholas Vita

Nicholas Vita

Chief Executive Officer and Director

Date:5/16/2022

By: /s/ Derek Watson

Derek Watson

Chief Financial Officer