Columbia Care Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars)

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

	Note	**September 30, 2020**	**December 31, 2019**
Assets			
Current assets:			
Cash		$ 42,142	$ 47,464
Accounts receivable		2,722	1,038
Inventory	***4***	112,771	81,513
Biological assets	***5***	31,724	13,079
Prepaid expenses and other current assets		11,364	11,395
Assets held for sale	***18***	3,483	-
Total current assets		204,206	154,489
Property and equipment	***9***	116,023	104,034
Right of use assets		185,453	79,031
Restricted cash	***7***	11,483	11,483
Long-term deposits	***7***	9,231	6,458
Goodwill	***7***	90,434	-
Intangible assets	***7, 17***	108,398	15,695
Notes receivable	***7, 10***	14,990	29,717
Other non-current assets		1,210	1,369
Total assets		$ 741,428	$ 402,276
Liabilities and Equity			
Current liabilities:			
Accounts payable		$ 15,798	$ 20,082
Accrued expenses and other current liabilities		31,815	9,135
Contingent consideration	***7***	26,445	-
Current portion of long-term debt	***6, 7***	8,237	-
Current portion of lease liability		7,887	6,185
Liabilities held for sale	***18***	1,483	-
Total current liabilities		91,665	35,402
Long-term debt	***6***	47,208	-
Deferred taxes		42,245	16,686
Long-term lease liability		198,825	77,458
Other long-term liabilities		14,676	5,798
Total liabilities		394,619	135,344
Equity:			
Equity attributable to Columbia Care Inc.	***11***	348,740	268,274
Non-controlling interest	***20***	(1,931)	(1,342)
Total shareholders' equity		346,809	266,932
Total liabilities and equity		$ 741,428	$ 402,276

Operations of the Company (Note 1)
Commitments and contingencies (Note 15)
Subsequent events (Note 21)

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

COLUMBIA CARE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(expressed in thousands of U.S. dollars, except for share and per share amounts)
(unaudited)

		Three Months Ended		Nine Months Ended	
	Note	**September 30, 2020**	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Revenues, net of discounts		$ 48,703	$ 22,120	$ 103,439	$ 54,287
Cost of sales related to inventory production		(29,707)	(16,830)	(66,270)	(39,167)
Cost of sales related to business combination fair value adjustments to inventories		(1,765)	-	(1,765)	-
Gross profit before change in fair value adjustments of biological assets		17,231	5,290	35,404	15,120
Fair value adjustments:					
Change in fair value of biological assets included in inventory sold	***5***	(22,239)	(21,992)	(60,328)	(45,221)
Unrealized gain on changes in fair value of biological assets and inventory	***5***	34,299	32,381	72,625	48,811
Total fair value adjustments		12,060	10,389	12,297	3,590
Gross margin		29,291	15,679	47,701	18,710
Operating expenses:					
Selling, general and administrative		26,430	20,669	72,455	59,403
Share-based compensation		7,218	13,150	22,341	24,539
Listing fee expense		-	-	-	11,071
Total operating expenses		(33,648)	(33,819)	(94,796)	(95,013)
Loss from operations		(4,357)	(18,140)	(47,095)	(76,303)
Other expense:					
Interest (expense) income, net		(2,154)	273	(1,683)	609
Interest expense related to lease liabilities		(2,154)	(623)	(5,106)	(1,784)
Other (expense) income, net		(2,556)	(108)	(4,688)	999
Total other expense		(6,864)	(458)	(11,477)	(176)
Loss before provision for income taxes		(11,221)	(18,598)	(58,572)	(76,479)
Income tax expense		(315)	(1,264)	(949)	(2,233)
Net loss and comprehensive loss		(11,536)	(19,862)	(59,521)	(78,712)
Net loss attributable to non-controlling interests	***20***	(681)	(1,599)	(4,422)	(1,947)
Net loss attributable to shareholders		$ (10,855)	$ (18,263)	$ (55,099)	$ (76,765)
Weighted-average number of shares used in earnings per share - basic and diluted		235,682,767	216,269,530	223,461,261	207,729,060
Loss attributable to shares (basic and diluted)	***14***	$ (0.05)	$ (0.08)	$ (0.25)	$ (0.37)

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

COLUMBIA CARE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(expressed in thousands of U.S. dollars, except for units and shares)
(unaudited)

	Share Capital					Total Columbia Care Inc. Shareholders' Equity	Non-Controlling Interest	Total Shareholders' Equity
	Units	Shares	Amount	Reserves	Deficit			
Balance as of December 29, 2018	**14,449,736**	**-**	**$ 245,658**	**$ 25,897**	**$ (68,803)**	**$ 202,752**	**$ 937**	**$ 203,689**
Debt conversion and settlement	27,561	-	2,537	-	-	2,537	-	2,537
Warrants exercised	159,325	-	-	2	-	2	-	2
Unit issuance costs	2,490	-	-	-	-	-	-	-
Equity-based compensation	-	-	-	19,036	-	19,036	-	19,036
Conversion of units and profit interests	(14,639,112)	196,901,118	-	-	-	-	-	-
Issuance of shares and warrants in connection with private placement	-	19,077,096	111,339	19,925	-	131,264	-	131,264
Share issuance costs	-	-	(5,598)	-	-	(5,598)	-	(5,598)
Issuance of shares	-	85,354	-	-	-	-	-	-
Reclass of deferred compensation to equity	-	-	-	15,308	-	15,308	-	15,308
Minority buyouts	-	621,239	-	-	(1,860)	(1,860)	1,860	-
Cancellation of restricted stock awards	-	(108,245)	-	-	-	-	-	-
Repurchase of shares	-	(236,900)	(1,934)	-	-	(1,934)	-	(1,934)
Net loss	-	-	-	-	(76,765)	(76,765)	(1,947)	(78,712)
Balance as of September 30, 2019	**-**	**216,339,662**	**$ 352,002**	**$ 80,168**	**$ (147,428)**	**$ 284,742**	**$ 850**	**$ 285,592**
Balance as of December 31, 2019	**-**	**216,529,181**	**$ 354,926**	**$ 89,550**	**$ (176,202)**	**$ 268,274**	**$ (1,342)**	**$ 266,932**
Equity-based compensation	-	1,047,222	-	22,341	-	22,341	-	22,341
Issuance of shares in connection with TGS Acquisition	-	32,955,987	107,892	-	-	107,892	-	107,892
Commitment to issue shares in connection with TGS Acquisition	-	-	874	-	-	874	-	874
Cancellation of restricted stock awards	-	(34,216)	-	-	-	-	-	-
Warrants issued with debt	-	-	-	3,404	-	3,404	-	3,404
Warrants exercised	-	2,192,298	-	388	-	388	-	388
Sale of membership interests in subsidiary	-	-	-	-	-	-	5,509	5,509
Minority buyouts	-	7,038,835	15,500	-	(14,824)	676	(1,676)	(1,000)
Repurchase of shares	-	(6,772)	(10)	-	-	(10)	-	(10)
Net loss	-	-	-	-	(55,099)	(55,099)	(4,422)	(59,521)
Balance as of September 30, 2020	**-**	**259,722,535**	**$ 479,182**	**$ 115,683**	**$ (246,125)**	**$ 348,740**	**$ (1,931)**	**$ 346,809**

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

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

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Cash flows from operating activities:		
Net loss	$ (59,521)	$ (78,712)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,525	10,260
Equity-based compensation	22,341	19,036
Impairment on disposal group	1,969	-
Deferred compensation	-	5,503
Debt amortization expense	965	18
Listing expense	-	11,071
Change in fair value of biological assets	(12,297)	(3,590)
Change in fair value of derivative liability	2,556	-
Deferred taxes	(2,311)	(288)
Provision for obsolete inventory	1,327	1,091
Loss on disposal of property and equipment	163	106
Changes in operating assets and liabilities		
Accounts receivable	(1,317)	27
Biological assets	8,564	534
Inventory	(21,406)	(9,413)
Prepaid expenses and other current assets	496	(3,597)
Other assets	(36,958)	(55,594)
Accounts payable, accrued expenses and other current liabilities	4,971	8,887
Other long-term liabilities	35,306	41,035
Net cash used in operating activities	(35,627)	(53,626)
Cash flows from investing activities:		
Purchases of property and equipment	(39,708)	(51,806)
Proceeds from sale leaseback	12,385	-
Cash received from acquisition, net of cash acquired	3,003	-
Cash for loan under CannAscend and Corsa Verde agreements	(317)	-
Cash paid in escrow and option deposit under Corsa Verde agreement	-	(1,247)
Issuance of note receivable	-	(2,420)
Cash paid for investments	-	(446)
Cash paid for deposits	(2,752)	(5,240)
Cash received from deposits	3,480	3,040
Net cash used in investing activities	(23,909)	(58,119)
Cash flows from financing activities:		
Net proceeds from issuance of debt	55,078	-
Issuance of common shares, net of issuance costs	-	114,595
Net proceeds from issuance of common units and warrants	-	42,764
Sale of membership interests of subsidiary	5,509	-
Purchase of minority interest	(1,000)	-
Repurchase of common shares	(10)	(1,934)
Payment of lease liabilities	(5,751)	(3,622)
Exercise of warrants	388	2
Repayment of debt	-	(1,795)
Net cash provided by financing activities	54,214	150,010
Net (decrease) increase in cash	(5,322)	38,265
Cash at beginning of the period	47,464	46,241
Cash at end of period	$ 42,142	$ 84,506
Supplemental disclosure of cash flow information:		
Cash paid for interest on other obligations	$ 482	$ 115
Cash paid for interest on lease obligations	$ 5,106	$ 1,784
Cash paid for income taxes	$ 1,709	$ 2,391
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash fixed asset additions within accounts payable and accrued expenses	$ 2,258	$ 11,638
Issuance of warrants	$ 3,404	$ -
Derivative liability on convertible debt	$ 5,364	$ -
Shares in connection with acquisition	$ 108,766	$ -
Note payable, net of discount, issued in connection with acquisition	$ 8,170	$ -
Contingent consideration incurred in connection with acquisition	$ 26,445	$ -
Intercompany note receivable with TGS assumed in connection with acquisition	$ 16,855	$ -
Conversion of convertible debt and accrued interest to equity	$ -	$ 2,537

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

1. OPERATIONS OF THE COMPANY

Columbia Care Inc. ("the Company"), formerly known as Canaccord Genuity Growth Corp. ("CGGC"), 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 transaction, the Company's common shares were listed on the Aequitas NEO exchange under the symbol "CCHW". As of the time of this report, the Company's common shares are also listed on the Canadian Securities Exchange under the symbol "CCHW", the OTCQX Best Market under the symbol "CCHWF" and on the Frankfurt Stock Exchange under the symbol "3LP".

The Company has or is preparing to have commercial operations in 18 jurisdictions in the United States and the European Union. 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 were not materially impacted during the three months ended September 30, 2020. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2019. They do not include all disclosures required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions deemed significant to provide an understanding of the changes in the Company's financial position and performance since its most recent annual financial statements. These financial statements are presented in U.S. dollars. The Canadian dollar serves as the functional currency of the Compnay and the Company's subsidiaries all use the U.S. dollar as their functional currency.

These condensed interim consolidated financial statements were approved and authorized by the board of directors of the Company on November 11, 2020.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those described in the Company's most recent annual consolidated financial statements.

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

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.

As CGGC did not meet the definition of a business under IFRS prior to the RTO, the RTO was outside the scope of IFRS 3, *Business Combinations*, and was accounted for as a share-based payment transaction in accordance with IFRS 2, *Share-based Payments* ("IFRS 2"). Under IFRS 2, 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. 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 were calculated using the Black-Scholes model with the following assumptions:

Expected volatility	70%
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.

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

4. INVENTORY

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

	Capitalized cost	Biological asset fair value adjustment	Carrying amount
Work-in-process - cannabis in cures and final vault	$ 3,979	$ 15,480	$ 19,459
Finished goods - dried cannabis, concentrate and edible products	19,468	42,406	61,874
Accessories and supplies	180	—	180
Carrying amount, December 31, 2019	**$ 23,627**	**$ 57,886**	**$ 81,513**
Work-in-process - cannabis in cures and final vault	$ 13,624	$ 34,522	$ 48,146
Finished goods - dried cannabis, concentrate and edible products	24,531	37,152	61,683
Accessories and supplies	2,942	—	2,942
Carrying amount, September 30, 2020	**$ 41,097**	**$ 71,674**	**$ 112,771**

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

5. BIOLOGICAL ASSETS

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

Carrying amount, December 29, 2018	**$ 4,698**
Changes in fair value less costs to sell due to biological transformation	54,236
Production costs capitalized	2,448
Transferred to inventories upon harvest	(48,303)
Carrying amount, December 31, 2019	**$ 13,079**
Changes in fair value less costs to sell due to biological transformation	72,625
Production costs capitalized	14,920
Assets obtained in the acquisition of TGS	14,912
Transferred to inventories upon harvest	(83,812)
Carrying amount, September 30, 2020	**$ 31,724**

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

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

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

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

These estimates include the following assumptions:

i. Selling prices per gram were determined by estimating the Company's average selling price for each respective period. The Company's average selling price for the nine months ended September 30, 2020 and the year ended December 31, 2019 was $8.56 and $12.51 per gram, respectively;
ii. The stage of plant growth at which point of harvest is determined. As of September 30, 2020 and December 31, 2019, the biological assets were on average 60% and 51% completed, respectively;
iii. Selling and other fulfillment costs were determined by estimating the Company's average cost per gram, which was $2.72 and $2.04 per gram and equivalent gram of cannabis sold as of September 30, 2020 and December 31, 2019, respectively;
iv. Expected yield per plant varies by strain and is estimated through historical growing results or grower estimate if historical results are not available. The Company's average dry yield per plant as of September 30, 2020 and December 31, 2019 was 178 and 175 grams per plant, respectively.

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

			Effect on fair value	
Significant assumptions	**Range of inputs**	**Sensitivity**	**September 30, 2020**	**December 31, 2019**
Selling price per gram	$4.96 to $15.22 per gram*	Increase by $1.00 per gram	$ 12,609	$ 960
Stage of growth	24.7% to 96.1%	Increase by 5%	$ 2,702	$ 1,225
Selling and other fulfillment costs	$1.83 to $5.87 per gram	Increase by $1.00 per gram	$ (12,609)	$ (960)
Expected dry yield per plant	61.5 to 241.1 grams per plant	Increase by 5 grams per plant	$ 1,096	$ 352

*Through March 31, 2020, New York State did not permit dispensaries to sell cannabis flower. Only edibles, tinctures, and solid and semisolid preparations were permitted. The average selling price per gram of $47.29 per gram, selling and other fulfillment costs of $8.90 per gram and expected yield per plant of 157 grams per plant reflect the conversion of cannabis plant into concentrated products and the associated selling price and selling and other fulfillment costs of concentrated products.

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

The Company's estimates and assumptions reflect differences in regulation restrictions applicable to the states in which the Company operates. For states other than New York, through March 31, 2020, selling prices per gram are calculated using the Company's average selling price of dried cannabis that does not involve any extraction or other processing activities, to reflect the value of such products up to the point of harvest. For New York, where only sales of concentrate and edible products were permitted through March 31, 2020, selling prices per gram and yield per plant were calculated based on the Company's average selling price of concentrate products and dry weight equivalent grams of such products in the fair value calculation.

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

6. CURRENT AND LONG-TERM DEBT

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

	September 30, 2020	December 31, 2019
Term debt	$ 38,565	$ -
Convertible debt	18,760	-
Note payable for TGS acquisition (see Note 7)	8,776	-
Unamortized debt discount	(8,585)	-
Unamortized deferred financing costs	(2,071)	-
	55,445	-
Less current portion	(8,237)	-
Total	$ 47,208	$ -

Term Debt

On March 31, 2020 and April 23, 2020, the Company completed the first and second tranches of a private offering 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 9.875% 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 with an exercise price of $3.10 (Canadian Dollars).

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

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 commencing on November 30, 2020. The Notes are due in full on May 15, 2023. The Company incurred financing costs of $2,072. The Notes contain customary terms and conditions, representations and warranties, and events of default.

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

Upon initial recognition, the Company recorded $3,404 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.

During the three and nine months ended September 30, 2020, the Company recognized amortization expense of $380 and $503, respectively, related to the Notes.

The fair value of the warrants included in the private offering were calculated using the Black-Scholes model with the following assumptions:

Expected volatility	80%
Expected term (years)	3.00
Expected dividends	0.00%
Risk-free interest rate	0.50%

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

Convertible Debt

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. As of September 30, 2020, total outstanding on the Convertible Notes was $18,760. The Convertible Notes can be exchanged into common shares with a conversion price of $3.79 (Canadian Dollars). For the purposes of determining the number of common shares issuable upon conversion, the principal amount of the Convertible Notes surrendered for conversion shall be deemed converted from U.S. Dollars into Canadian Dollars, using the end-of-day exchange rate published by the Bank of Canada upon notice of 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.

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 IAS 32, 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 condensed interim consolidated statements of financial position and a corresponding debt discount, reflected as a reduction to the carrying value of the Convertible Notes. The debt discount will be amortized over the term of the Convertible Notes. Refer to Note 16 for details regarding fair value measurement. During the three and nine months ended September 30, 2020, the Company recognized amortization expense of $395 and $395, respectively, related to the Convertible Notes. During the three months ended September 30, 2020, the fair value of the derivative increased by $2,556 and is recorded in other expense in the consolidated statement of operations.

7. ACQUISITIONS

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, and Beacon Holdings, LLC (collectively, the "Acquiree" or "TGS").

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

TGS Global was formed in October 2010 for the purpose of selling recreational and related cannabis products in the state of Colorado. TGS Global owns and operates vertically integrated cultivation facilities, manufacturing facilities and retain 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 penetrate the Colorado market.

The aggregate purchase price for the TGS Transaction, being $143,581 (the "Transaction Price") consisted of; $200 in cash consideration, $8,170 in promissory notes ("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 are to be issued during the fourth quarter of 2020. The 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 Closing Promissory Notes require principal payments of $3,750, $3,750 and $1,276 are due on January 1, 2021, April 1, 2021 and July 1, 2021, respectively.

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 to the Company		108,766
Milestone Shares after closing (contingent consideration)		26,445
Total unadjusted purchase price		143,581
Less: Cash acquired		(3,203)
Total purchase price	$	140,378

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

Purchase price allocation		
Assets acquired:		
Accounts receivable	$	367
Inventory		11,177
Biological assets		14,912
Prepaid expenses and other current assets		796
Property and equipment		11,838
Right of use assets		81,206
Long-term deposits		2,174
Goodwill		90,434
Intangible assets		94,302
Accounts payable		(5,205)
Accrued expenses and other current liabilities		(20,944)
Note payable		(16,855)
Lease liabilities		(95,954)
Deferred tax liabilities		(27,870)
Consideration transferred	$	140,378

The purchase price allocations for the TGS Transaction reflects various fair value estimates and analyses, which are subject to change within the respective measurement periods. The primary areas of the purchase price allocations that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired and residual goodwill. 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 expects to finalize the accounting for the TGS Transaction between October 1, 2020 and December 31, 2020.

The contingent consideration was estimated considering certain metrics which consist of revenue and EBITDA targets for the fiscal year ending 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 Sellers will receive common shares (the "Milestone Shares") of the Company upon achievement of aforementioned targets no later than ten business days following the date on which the Acquiree's audited consolidated financial statements for the fiscal year ending December 31, 2020 are issued. 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 $30,880. 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.

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 Acquiree, 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 Acquiree's state licenses, trade name and wholesale customers represented identifiable intangible assets acquired in the amounts of $66,777, $27,475 and $50, 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 $318 of acquisition-related costs, which have been included in selling, general and administrative expenses on the Company's statement of comprehensive income. The Acquiree acquisition-related costs in the amount of $1,482 were expensed in the Acquiree's pre-acquisition consolidated financial statements.

Since the closing date of the TGS Transaction, $9,493 of revenue and $807 of profit of the Acquiree have been included in the consolidated statement of operations for the three and nine months ended September 30, 2020.

CannAscend Agreement

On October 25, 2018, the Company, CannAscend Alternative, LLC ("CAA"), and CannAscend Alternative Logan, LLC ("CAA Logan") entered into a Membership Purchase Option Agreement (the "CannAscend Option Agreement"). CAA and CAA Logan are both Ohio-based limited liability companies that operate dispensaries (collectively the "Target Companies"). Under the terms of the CannAscend Option Agreement, the Company purchased an exclusive option to acquire all outstanding membership interests (the "CannAscend Option") of the Target Companies during the period commencing on the first anniversary (the "Commencement Date") of the date upon which all four of the dispensaries operated by the Target Companies have been issued certificates of operation under Ohio's Medical Marijuana Control Program and are operational, which occurred in December 2019, and expiring on the 30th day following said Commencement Date ("CannAscend Option Period").

The price for the CannAscend Option Agreement was approximately $4,124 ("CannAscend Option Deposit"). The CannAscend Option Deposit made by the Company is non-refundable. If the Company exercises the CannAscend Option, the Company will pay a purchase price of $14,150, subject to reduction as provided in the CannAscend Option Agreement. The Company has recorded the $4,124 of the CannAscend Option Deposit paid as long-term deposits on the condensed interim consolidated statement of financial position at September 30, 2020 and December 31, 2019.

As part of the CannAscend Option Agreement, the Company entered into an escrow agreement with the Target Companies and deposited $12,026 into an escrow account. As of September 30, 2020 and December 31, 2019, the escrow deposit account had a balance of $10,026 and is recorded as restricted cash on the condensed interim consolidated statement of financial position.

The Company issued a revolving loan to the Target Companies (the "CannAscend Revolving Loan"), with a principal amount to not exceed $13,000 (the "CannAscend Loan Amount"). The CannAscend Revolving Loan is evidenced by a secured promissory note of the Target Companies (the "CannAscend Note Receivable"), which bears interest at the rate of 7% per annum and matures upon the occurrence of any of the following: a) providing notice to the borrower of an event of default; b) 36 months after the last advance made by the lender to borrower as provided in the CannAscend Revolving Loan Agreement, or c) 90 days after the termination of the CannAscend Option Agreement. As of September 30, 2020, and December 31, 2019, the Company recorded a balance of $10,992 and $10,895, respectively, in notes receivable on the condensed interim consolidated statements of financial position related to the balance outstanding from the Target Companies related to the CannAscend Revolving Loan. As of September 30, 2020 and December 31, 2019, outstanding interest on the CannAscend Revolving Loan is $645 and $545, respectively, which is in other non-current assets on the condensed interim consolidated statements of financial position.

To secure the obligations of the Target Companies to the Company under the CannAscend Revolving Loan Agreement and the CannAscend Note Receivable, the Company entered into a Security Agreement dated as of October 25, 2018 (the "CannAscend Security Agreement"), pursuant to which the Target Companies granted to the Company a first-priority lien on and security interest in all personal property of the Target Companies.

If the Company does not exercise the CannAscend Option on or prior to the date that is 30 days following the end of the CannAscend Option Period, the CannAscend Loan Amount will be payable to the Company in 90 days.

Corsa Verde Agreement

On April 2, 2019, the Company and Corsa Verde, LLC ("Corsa Verde") entered into a Membership Purchase Option Agreement (the "Corsa Verde Option Agreement"). Corsa Verde is an Ohio-based limited liability company that processes medical marijuana. Under the terms of the Corsa Verde Option Agreement, the Company purchased an exclusive option to acquire all outstanding membership interests (the "Corsa Verde Option") of Corsa Verde within ten days following the receipt of regulatory approval.

The price for the Corsa Verde Option Agreement was approximately $125 ("Corsa Verde Option Deposit"). If the Company exercises the Corsa Verde Option, the Company will pay a purchase price of $2,747, subject to reduction as provided in the Corsa Verde Option Agreement. The Company has recorded the $125 of the Corsa Verde Option Deposit paid as long-term deposits on the condensed interim consolidated statements of financial position as of September 30, 2020 and December 31, 2019. As part of the Corsa Verde Option Agreement, the Company entered into an escrow agreement with Corsa Verde and deposited $1,123 into the escrow account. As of September 30, 2020 and December 31, 2019, the escrow deposit account had a balance of $1,123 and is recorded as restricted cash on the condensed interim consolidated statement of financial position.

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

The Company provided a revolving loan to Corsa Verde (the "Revolving Loan"), with the principal amount to not exceed $2,000 (the "Loan Amount"). The Corsa Verde Revolving Loan is evidenced by a secured promissory note of Corsa Verde (the "Corsa Verde Note Receivable"), which bears interest at the rate of 7% per annum and matures upon the occurrence of any of the following: a) providing notice to the borrower of an event of default; b) 36 months after the last advance made by the lender to borrower as provided in the Corsa Verde Revolving Loan Agreement, or c) 90 days after the termination of the Corsa Verde Option Agreement. As of September 30, 2020 and December 31, 2019, the Company had a balance of $1,712 and $1,493, respectively, in notes receivable on the condensed interim consolidated statements of financial position related to the balance outstanding from Corsa Verde related to the Corsa Verde Revolving Loan. As of September 30, 2020 and December 31, 2019, outstanding interest on the Corsa Verde Revolving Loan is $116 and $27, respectively, which is in other non-current assets on the condensed interim consolidated statements of financial position.

To secure the obligations of Corsa Verde to the Company under the Corsa Verde Revolving Loan Agreement and the Corsa Verde Note Receivable, the Company entered into a Security Agreement dated as of April 2, 2019 (the "Corsa Verde Security Agreement"), pursuant to which Corsa Verde granted to the Company a first-priority lien on and security interest in all personal property of Corsa Verde.

If the Company does not exercise the Corsa Verde Option on or prior to the date that is 30 days following the end of the Corsa Verde Option Period, the Corsa Verde Loan Amount will be payable to the Company in 90 days.

The Corsa Verde Option Deposit made by the Company is non-refundable.

Project Cannabis Agreement

During September 2020, the Company signed a definitive purchase agreement to purchase Project Cannabis, a cannabis company based in Los Angeles, California, for approximately $57,000 in common stock and approximately $12,000 in cash from proceeds of a concurrent sales of Project Cannabis' real estate assets.

8. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

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

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

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

9. PROPERTY AND EQUIPMENT

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

	September 30, 2020	December 31, 2019
Land and buildings	$ 3,751	$ 4,055
Furniture and fixtures	5,793	3,121
Equipment	20,924	13,596
Computers and software	1,623	1,273
Leasehold improvements	83,817	56,900
Construction in process	26,644	41,740
Total property and equipment, gross	142,552	120,685
Less: Accumulated depreciation	(26,529)	(16,651)
Total property and equipment, net	$ 116,023	$ 104,034

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

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

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Cost							
As of December 29, 2018	$ 8,000	$ 995	$ 5,292	$ 435	$ 23,371	$ 12,650	$ 50,743
Additions	1,097	427	1,812	318	3,709	82,488	89,851
Disposals	(5,042)	(129)	—	(6)	(12,333)	(2,399)	(19,909)
Transfers	—	1,828	6,492	526	42,153	(50,999)	—
Balance of December 31, 2019	$ 4,055	$ 3,121	$ 13,596	$ 1,273	$ 56,900	$ 41,740	$ 120,685

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Accumulated depreciation							
As of December 29, 2018	$ (427)	$ (521)	$ (1,798)	$ (164)	$ (8,039)	$ —	$ (10,949)
Depreciation	(144)	(263)	(1,612)	(159)	(5,970)	—	(8,148)
Disposals	417	63	-	2	1,964	—	2,446
Balance of December 31, 2019	$ (154)	$ (721)	$ (3,410)	$ (321)	$ (12,045)	$ —	$ (16,651)

Total depreciation expense for the three months ended September 30, 2020 and 2019, was $3,715 and $2,326, respectively, which included $2,297 and $1,159 recognized as production costs, respectively, and $1,418 and $1,167 recognized as operating expenses in the condensed consolidated statements of operations, respectively. Total depreciation expense for the nine months ended September 30, 2020 and 2019, was $10,302 and $5,468, which included $6,187 and $3,099 recognized as production costs, respectively, and $4,115 and $2,369 recognized as operating expenses in the condensed consolidated statements of operations, respectively.

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.

10. PROMISSORY NOTES RECEIVABLES

9244 Balboa Blvd., LLC ("Balboa")

During the year ended December 31, 2019, Focused Health LLC ("Focused Health"), a consolidated subsidiary of the Company, entered into a lease agreement with 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 2044. The balance outstanding as of September 30, 2020, is $2,343 of which $57 is recorded in prepaid expenses and other current assets and $2,286 is recorded in notes receivable on the condensed interim consolidated statements of financial position. The balance outstanding as of December 31, 2019, is $2,384 of which $55 is recorded in prepaid expenses and other current assets and $2,329 is recorded in notes receivable on the condensed interim consolidated statements of financial position.

11. SHAREHOLDERS' EQUITY

<u>Pre-RTO</u>

Common Units

Prior to the Acquisition Date, Columbia Care LLC was authorized to issue an unlimited number of common units without par value. On the Acquisition Date, Columbia Care LLC had 14,639,112 issued and outstanding common units and profit interests (15,482,850 on a fully-diluted basis). On the Acquisition Date common units and profit interests were converted into common shares and proportionate voting shares.

From December 30, 2018 through the Acquisition Date, the Company had the following equity activity:

- Issued 27,561 common units upon the conversion of principal and accrued interest on convertible debt of $2,537.
- Issued 2,490 common units as unit issuance costs; and
- Warrants were exercised for 159,325 common units at an average per unit price of $0.01 for $2.

<u>Post-RTO</u>

From the Acquisition Date through December 31, 2019, the Company had the following equity activity:

- In connection with the RTO, the Company converted 14,639,112 outstanding common units and profit interests into 34,563,850 common shares and 1,623,372.68 proportionate voting shares. The Company issued 19,077,096 common shares and 5,394,945 warrants with an exercise price of C$10.35 exercisable for five years from the

date of issuance to existing shareholders of CGGC with a total fair value of $131,264 (Note 3). The RTO resulted in a listing expense of $11,071. The Company incurred share issuance costs of $5,598 related to the RTO which is recognized as a reduction of share capital.
- On August 6, 2019, the Company completed its acquisition of the remaining minority interest in its Illinois operation. Total consideration consisted of $4,400 of which $2,950 was satisfied by the issuance of 621,239 common shares and the remaining $1,450 is expected to be satisfied during 2020 with the issuance of additional common shares.
- Repurchased and cancelled 236,900 common shares with the use of $1,015 proceeds under the Company's share repurchase program.
- In connection with the RTO and the issuance of Shares to employees, the Company withheld Shares that were previously issued to satisfy certain shareholders' U.S. federal income tax requirements and made a payment on their behalf in the amount of $1,398. As a result, the Company retired 187,147 Shares.

From January 1, 2020 through September 30, 2020, the Company had the following equity activity:
- On March 31, 2020, the Company granted 4,911,305 time-based restricted stock units and 1,720,511 performance-based restricted stock units.
- On June 18, 2020, the Company completed its acquisition of the remaining minority interest in its Florida operation. Total consideration consisted of $15,500 of which $14,500 was satisfied by the issuance of 7,038,835 common shares and $1,000 in cash.
- On August 12, 2020, 3,845,023 common share warrants were converted to 2,018,298 common shares in a cashless exercise.
- On September 1, 2020, the Company completed its acquisition of TGS and issued 32,955,987 common shares and 266,913 common shares are to be issued during the fourth quarter of 2020, see Note 7.
- On September 28, 2020, 174,000 common share warrants were exercised for proceeds of $388.

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.

The ability to convert proportionate voting shares into common shares is subject to certain conditions in order to maintain the Company's status as a foreign private issuer under U.S. securities laws. Unless otherwise waived by the Company, the right to convert the proportionate voting shares is subject to the condition that the aggregate number of Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended) may not exceed fifty percent (50%) of the aggregate number of Shares issued and outstanding after giving effect to such conversions.

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

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 September 30, 2020, and December 31, 2019, no cash dividends had been declared or paid.

The table below details the changes in Shares outstanding by class:

	Common Shares	Proportionate Voting Shares (as converted)	Preferred Shares
Balance at December 29, 2018	-	-	-
Existing unitholders transfer	34,563,850	162,337,268	-
Private placement	19,077,096	-	-
Issuance of shares	473,770	-	-
Minority buyouts	621,239	-	-
Share conversion	62,864,293	(62,864,293)	-
Cancellation of restricted stock awards	-	(119,995)	-
Repurchase of shares	(424,047)	-	-
Balance at December 31, 2019	**117,176,201**	**99,352,980**	**-**
Issuance of shares	34,003,209	-	-
Share conversion	59,003,984	(59,003,984)	-
Warrants exercised	2,192,298		
Minority buyouts	7,038,835	-	-
Cancellation of restricted stock awards	-	(34,216)	-
Repurchase of shares	(6,772)	-	-
Balance at September 30, 2020	**219,407,755**	**40,314,780**	**-**

12. WARRANTS

As of September 30, 2020, outstanding equity-classified warrants to purchase common shares consisted of the following:

Date Exercisable	Number of Shares Issued and Exercisable	Exercise Price (Canadian Dollars)	Expiration
May 8, 2018	921,753	$ 5.71	May 8, 2021
October 1, 2018	648,783	$ 8.12	October 1, 2025
October 1, 2018	4,855,639	$ 8.12	October 1, 2020
October 17, 2018	809,272	$ 8.12	October 17, 2020
November 7, 2018	2,427,818	$ 8.12	November 7, 2020
June 30, 2019	5,394,945	$ 10.35	April 26, 2024
March 31, 2020	1,610,250	$ 3.10	March 31, 2023
April 23, 2020	113,000	$ 3.10	April 23, 2023
May 14, 2020	2,250,188	$ 2.95	May 14, 2023
July 7, 2020	315,000	$ 4.53	July 7, 2023
	19,346,648	$ 7.52	

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

Warrant activity for each reporting period 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 from 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	4,462,438	3.12	-	-
Exercised	(4,019,023)	2.25	-	-
Expired	(1,152,191)	5.71	-	-
Balance as of September 30, 2020	**19,346,648**	**$ 7.52**	**-**	**$ -**

13. INCOME TAXES

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

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

14. LOSS PER SHARE

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

	Three Months Ended		Nine Months Ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Numerator:				
Net loss	$ (11,536)	$ (19,862)	$ (59,521)	$ (78,712)
Less: Net loss attributable to non-controlling interest	(681)	(1,599)	(4,422)	(1,947)
Net loss attributable to shareholders	$ (10,855)	$ (18,263)	$ (55,099)	$ (76,765)
Denominator:				
Weighted average shares outstanding - basic and diluted	235,682,767	216,269,530	223,461,261	207,729,060
Loss per share - basic and diluted	$ (0.05)	$ (0.08)	$ (0.25)	$ (0.37)

The Company's potentially dilutive securities, which include warrants to purchase Shares, have been excluded from the computation of diluted net loss per share for the three and nine months ended September 30, 2020 and 2019, as the inclusion would have reduced the net loss per share and therefore would have an anti-dilutive effect. Prior periods have been converted into post-merger Shares for comparability.

15. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its condensed interim consolidated financial statements.

A former minority owner of the Company's Florida-licensed business, Sun Bulb Company, Inc. ("Sun Bulb"), is currently in arbitration with a former purported joint venture partner of Sun Bulb. The purported joint venture partner alleges various statutory and common law claims related to the terminated venture. The Company has agreed to indemnify Sun Bulb for any amounts relating to this matter in excess of $750. The Company's management believes that Sun Bulb has substantial defenses available in respect of the allegations. However, there can be no assurance that Sun Bulb will be successful in pursuing such defenses and if it is not successful in establishing such defenses that the damages awarded will not be material to the Company. The Company has determined that the possible loss or range of loss cannot currently be reasonably estimated.

Additionally, the Company may be contingently liable with respect to other claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such other matters will not have a materially adverse effect on the Company. Accordingly, no provision has been made in these condensed interim consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

16. FAIR VALUE MEASUREMENTS

Financial Instruments

The Company's financial instruments measured at fair value as of September 30, 2020 include derivative liabilities.

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	Common Share value	Increase or decrease in Common Share value will result in an increase or decrease in fair value

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

Financial Risk Management

The carrying value of the Company's financial instruments consisting of cash, restricted cash, accounts receivable, accounts payable, accrued expenses and other current liabilities approximate fair value due to their short-term nature.

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

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

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of September 30, 2020 and December 31, 2019 is the carrying amount of cash, restricted cash, notes receivable and accounts receivable. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash and as such, the Company does not have significant credit risk with respect to its customers. Through the Company's recently introduced Columbia Care National Credit program, the Company provides credit to customers in certain markets in which the Company operates.

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

Liquidity Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

The Company does not have any significant financial instruments denominated in currencies other than the U.S. dollar and as such is not subject to foreign currency risk.

Price Risk

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

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

17. INTANGIBLE ASSETS

Intangible assets consist of the following:

	2019			2020		
	Balance at December 30, 2018	**Amortization**	**Balance at December 31, 2019**	**Acquisitions**	**Amortization**	**Balance at September 30, 2020**
Licenses	$ 16,235	$ 540	$ 15,695	$ 66,777	$ 1,369	$ 81,103
Trademarks	-	-	-	27,475	229	27,246
Customer relationships	-	-	-	50	1	49
Total	$ 16,235	$ 540	$ 15,695	$ 94,302	$ 1,599	$ 108,398

During the three months ended September 30, 2020 and 2019, the Company recorded $1,057 and $540 amortization expense, respectively. During the nine months ended September 30, 2020 and 2019, the Company recorded $1,599 and $540 amortization expense, respectively.

18. ASSETS HELD FOR SALE

During the second quarter of 2020, management 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 are presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by the first quarter of 2021. This disposal 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 assets and liabilities of Puerto Rico operations were not segregated and were presented as continuing operations in the consolidated financial statements.

Impairment losses of $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 condensed interim consolidated statements of operations. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

As of September 30, 2020, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

Property, plant and equipment	$ 2,014
Right of use assets	1,435
Prepaid expenses and other current assets	34
Assets held for sale	$ 3,483
Lease liabilities	$ (1,483)
Liabilities held for sale	$ (1,483)

The non-recurring fair value measurement for the disposal group of $2,000 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.

19. CAPITAL MANAGEMENT

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

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

The capital structure of the Company consists of items included in shareholders’ equity. The Company manages its capital structure in consideration of changes in economic conditions and the risk characteristics of the Company’s underlying assets.

Capital is comprised of the Company’s shareholders’ equity. As of September 30, 2020, the Company’s equity was $348,740. The Company manages its capital structure to maximize its financial flexibility and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company’s capital management during the nine months ended September 30, 2020.

20. NON-CONTROLLING INTERESTS

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

	Venture Forth	Curative Health	Curative Health Cult.	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 LLC	Leafy Greens, Inc.	Total
Balance at December 29, 2018	**$ (2,485)**	**$ (709)**	**$ (832)**	**$ 500**	**$ (24)**	**$ (49)**	**$ (6)**	**$ 4,542**	**$ -**	**$ -**	**$ -**	**$ 937**
Net income (loss) attributable to NCI	(129)	(111)	(208)	63	(65)	(1,475)	(21)	(2,058)	(36)	-	(99)	(4,139)
Other adjustments	-	820	1,040		-	-	-	-	-	-	-	1,860
Balance at December 31, 2019	**$ (2,614)**	**$ -**	**$ -**	**$ 563**	**$ (89)**	**$ (1,524)**	**$ (27)**	**$ 2,484**	**$ (36)**	**$ -**	**$ (99)**	**$ (1,342)**
Net income (loss) attributable to NCI	(1,219)	-	-	(293)	18	(1,887)	(25)	(808)	(58)	(29)	(121)	(4,422)
Other adjustments	-	-	-	-	-	-	-	(1,676)	-	5,509	-	3,833
Balance at September 30, 2020	**$ (3,833)**	**$ -**	**$ -**	**$ 270**	**$ (71)**	**$ (3,411)**	**$ (52)**	**$ -**	**$ (94)**	**$ 5,480**	**$ (220)**	**$ (1,931)**

During the nine months ended September 30, 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 up to five million Euros or $5,509.

21. SUBSEQUENT EVENTS

In October 2020, the Company issued 20,000 units (the “October Units”) under the Company’s senior secured indenture via a private placement for aggregate gross proceeds of approximately $20,400. Each October Unit is comprised of (i) $1,000 principal amount of 13.00% Notes and (ii) 60 common share purchase warrants with an exercise price of $5.84 (Canadian Dollars).