ITEM 6. SELECTED FINANCIAL DATA

The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and accompanying notes presented in Item 15 of this Annual Report. The Company's Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("**GAAP**") and on a going-concern basis that contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business.

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
Total Revenues, net of discounts	$ 216,433	$ 62,494	$16,529
Cost of Goods Sold	$ 109,402	$ 34,177	$ 9,808
Gross Profit	$ 107,031	$ 28,317	$ 6,721
Total Expenses	$ 134,721	$ 54,657	$11,491
Other Income (Expense)	$ (22,512)	$ 56,091	$ 112
Net Income (Loss) Attributable to GTI	$ (59,116)	$ (5,244)	$ (4,250)
Total Assets	$1,167,537	$418,349	$86,213
Long-Term Liabilities	$ 212,961	$ 28,310	$ 7,508

ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following information should be read in conjunction with the consolidated financial statements and related notes thereto included in this Annual Report on Form 10-K.

In addition to historical information, this report contains forward-looking statements that involve risks and uncertainties which may cause our actual results to differ materially from plans and results discussed in forward-looking statements. We encourage you to review the risks and uncertainties discussed in the sections entitled Item 1A. "Risk Factors" and "Disclosure Regarding Forward-Looking Statements" included at the beginning of this Annual Report on Form 10-K. The risks and uncertainties can cause actual results to differ significantly from those forecast in forward-looking statements or implied in historical results and trends.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of Green Thumb Industries Inc. (the "**Company**" or "**GTI**") is for the years ended December 31, 2019, 2018 and 2017. It is supplemental to, and should be read in conjunction with, the Company's consolidated financial statements for the years ended December 31, 2019 and 2018 and the combined financial statements for the year ended December 31, 2017 and the accompanying notes for each respective period. The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("**GAAP**"). Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information," identified in the "Risks and Uncertainties" section of this MD&A. As a result of many factors, the

Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

OVERVIEW OF THE COMPANY

Established in 2014 and headquartered in Chicago, Illinois, GTI is promoting well-being through the power of cannabis, while being committed to community and sustainable profitable growth. As of March 31, 2020, GTI has operations across 12 U.S. markets, employs approximately 1,700 people and serves hundreds of thousands of patients and customers annually.

GTI's core business is manufacturing, distributing and marketing a portfolio of owned cannabis consumer packaged goods brands (which we refer to as our consumer packaged goods business), including Beboe, Dogwalkers, Dr. Solomon's, incredibles, Rythm and The Feel Collection. We distribute and market these products primarily to third-party licensed retail cannabis stores across the United States as well as to GTI-owned retail stores (which we refer to as our retail business).

The Company's consumer packaged goods portfolio is primarily generated from plant material that GTI grows and processes itself, which we use to produce our consumer packaged goods in 13 manufacturing facilities. This portfolio consists of stock keeping units ("**SKUs**") across a range of cannabis product categories, including flower, pre-rolls, concentrates, vape, capsules, tinctures, edibles, topicals and other cannabis-related products (none of which product categories are individually material to the Company).

GTI also owns and operates a national cannabis retail chain called Rise, and in the Las Vegas, Nevada area, a chain of stores called Essence, which are relationship-centric retail experiences aimed to deliver a superior level of customer service through high-engagement consumer interaction, a consultative, transparent and education-forward selling approach and a consistently available assortment of cannabis products. In addition, we own stores under other names, primarily where we co-own the stores or naming is subject to licensing or similar restrictions. The income from our retail stores is primarily from the sale of cannabis-related products, which includes the sale of GTI produced products as well as those produced by third parties, with an immaterial (under 10%) portion of this income resulting from the sale of other merchandise (such as t-shirts and accessories for cannabis use). Our Rise stores currently are located in eight of the states in which we operate (including Nevada). Our Essence stores were acquired in connection with the 2019 acquisition of Integral Associates and are located in Nevada. The Essence stores differ from the Rise stores mainly in geographic location. As of December 31, 2019, the Company had 39 open and operating retail locations, with state licensed permission to open a total of 96 stores. Our new store opening plans will remain fluid depending on market conditions, obtaining local licensing, construction and other permissions and subject to our capital allocation plans and the evolving situation with respect to the Coronavirus.

Results of Operations - Consolidated

Revenue Streams

The Company has consolidated financial statements across its operating businesses with revenue from the manufacture, sale and distribution of branded cannabis products to third-party retail customers as well as the sale of finished products to consumers in its retail stores.

As of the year ended December 31, 2019, GTI has operating revenue in all of its 12 markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania).

Year Ended December 31, 2019

Revenue

Revenue for the year ended December 31, 2019 was $216,433 thousand, up 246% from $62,494 thousand for the year ended December 31, 2018 driven by contribution from both consumer packaged goods and retail sales across all 12 markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania). Key performance drivers are: distribution expansion of GTI's branded product portfolio primarily in Illinois, Massachusetts and Pennsylvania; new store openings and increased store traffic to GTI's 39 open and operating retail stores, particularly in Florida, Illinois, Massachusetts and Pennsylvania; and the addition of revenue from the acquisition of Connecticut-based AGL and Nevada-based Integral Associates.

Cost of Goods Sold

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Cost of goods sold for the year ended December 31, 2019 was $109,402 thousand, up 220% from $34,177 thousand for the year ended December 31, 2018, driven by growth from both Consumer Packaged Goods and Retail sales across all 12 markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania).

Gross Profit

Gross profit for the year ended December 31, 2019 was $107,031 thousand, representing a gross margin on the sale of finished cannabis consumer packaged goods of 49%. This is compared to gross profit for the year ended December 31, 2018 of $28,317 thousand or a 45% gross margin driven by increased harvested cannabis and consumer packaged goods shipments, along with incremental contribution from increased volume from Retail sales.

Total Expenses

Total expenses for the year ended December 31, 2019 were $134,721 thousand or 62% of Total Revenues, net of discounts, an increase of $80,064 thousand. Total expenses for the year ended December 31, 2018 were $54,657 thousand or 87% of Total Revenues, net of discounts.

Increase in total expenses was attributable to an increase in general and administrative expenses, mainly due to non-cash charges related to equity incentive compensation of $18,285 thousand, an increase of $6,137 thousand compared to the year ended December 31, 2018. Salaries and benefits also contributed to the increase as a result of new headcount from the Company's Retail facilities in Florida, Illinois, Nevada, Maryland, Massachusetts and Pennsylvania, along with corporate staff development.

Additionally, the Company had professional fees of $17,714 thousand which represented an increase of $7,025 thousand over the 2018 amount of $10,689 thousand, primarily driven by acquisition related support, and other regulatory and growth-related activities.

Total Other Income (Expense)

Total other expense for the year ended December 31, 2019 was ($22,512) thousand, compared to income of $56,091 thousand for the year ended December 31, 2018, mainly due to a favorable adjustment to the fair values of the Company's investments recorded in 2018, as further described in the Liquidity, Financing Activities During the Period, and Capital Resources section of this MD&A.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted at year-end. For the year ended December 31, 2019, federal and state income tax expense totaled $9,344 thousand compared to $7,184 thousand for the year ended December 31, 2018. The net expense of $9,344 thousand for the year ended December 31, 2019 includes current tax expense of $22,761 thousand and deferred tax benefit of $13,417 thousand in the current period. The deferred tax benefit is mainly driven by changes in the fair value of investments and amortization of intangibles.

Income (Loss) From Operations

Net operating loss before provision for income taxes and non-controlling interest for the year ended December 31, 2019 was ($50,203) thousand compared to income of $29,751 thousand for the year ended December 31, 2018.

As presented in the Non-GAAP section, after adjusting for non-cash equity incentive compensation of $18,285 thousand as described above, as well as other non-operating items, adjusted operating EBITDA was $27,762 thousand and ($9,007) thousand for the year ended December 31, 2019 and 2018, respectively.

Year Ended December 31, 2018

Revenue

Revenue for the year ended December 31, 2018 was $62,494 thousand, up 278% from $16,529 thousand for the year ended December 31, 2017 due to revenue contribution from Consumer Packaged Goods and Retail sales across Illinois, Maryland, Massachusetts, Nevada and Pennsylvania. Year over year consumer packaged goods growth is driven by expanded distribution to third-party retail customers of GTI's branded product portfolio, including Rythm, The Feel Collection and Dogwalkers, primarily across Illinois, Maryland and Pennsylvania. Retail sales growth is driven by increased foot traffic in Illinois retail stores, incremental revenue from two Illinois stores which were acquired in October 2017, new store openings of Rise (three in Maryland and four in Pennsylvania) and the commencement of adult use sales for both Nevada Rise stores as of January 1, 2018, all incremental compared to the year ending December 31, 2017.

Cost of Goods Sold

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Year ended December 31, 2018 cost of goods sold of $34,177 thousand was up $24,369 thousand or 249% compared to year ended December 31, 2017, driven by expanded production of consumer packaged goods in new markets Maryland and Pennsylvania, as well as material increases from retail sales driven by new store openings and increases in daily transactions across Illinois, Maryland, Massachusetts, Nevada and Pennsylvania.

Gross Profit

Gross profit for the year ended December 31, 2018 was $28,317 thousand, representing a gross margin on the sale of branded cannabis flower and processed and packaged products including concentrates, edibles, topicals and other cannabis products, of 45%. This is compared to gross profit for the year ended December 31, 2017 of $6,721 thousand or a 41% gross margin.

Total Expenses

Total expenses for year ended December 31, 2018 were $54,657 thousand, an increase of $43,166 thousand, compared to year ended December 31, 2017.

Increase in total expenses was attributable to an increase in general and administrative expenses, mainly due to non-cash charges related to equity incentive compensation of $12,148 thousand, which is all incremental compared to the prior year. Salaries and benefits also contributed to the increase as a result of new headcount from the Company's Retail facilities in Illinois, Nevada, Maryland and Pennsylvania along with corporate staff development.

Additionally, the Company had professional fees of $10,689 thousand which represented an increase of $7,171 thousand over the 2017 amount of $3,518 thousand due to the reverse takeover transaction, acquisition related support, and other regulatory and growth related activities.

Total Other Income

Total other income for year ended December 31, 2018 was $56,091 thousand, an increase of $55,979 thousand compared to 2017, due to the iAnthus Warrants and other investments recorded at fair value, as further described in the Liquidity, Financing Activities During the Period, and Capital Resources section of this MD&A.

Provision for Income

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted at year-end. For year ended December 31, 2018, Federal and State income tax expense totaled $7,184 thousand compared to $214 thousand provision for income taxes for the year ended December 31, 2017. Deferred tax expense of $4,061 thousand is included in the $7,184 thousand for the current period. This expense is driven by the fair value of Warrants and investments, partially offset by deferred tax benefit related to net operating losses and stock-based compensation.

Income (Loss) From Operations

Net operating income before provision for income taxes and non-controlling interest for year ended December 31, 2018 was $29,751 thousand, compared to a loss of ($4,658) for the year ended December 31, 2017. The increase in net operating income was driven by the fair value of the iAnthus Warrants and other investments recorded at fair value, partially offset by equity incentive compensation as described above, in addition to start-up costs for new markets this year.

As presented in the Non-GAAP section, after adjusting for non-cash equity incentive compensation of $12,148 thousand as described above adjusted operating EBITDA was ($9,007) thousand and ($4,080) thousand for the year ended December 31, 2018 and 2017, respectively.

Year Ended December 31, 2017

Revenue

Revenue for the year ended December 31, 2017 was $16,529 thousand, up 129% from $7,214 thousand for the year ended December 31, 2016 due to revenue contribution from Consumer Packaged Goods in Illinois and Retail sales across Illinois and Nevada. Year over year consumer packaged goods growth is driven by expanded distribution to third-party retail customers of GTI's branded product portfolio including Rythm, The Feel Collection and Dogwalkers. Retail sales growth is driven by increased foot traffic in Illinois and Nevada retail stores and incremental revenue from two Illinois stores which were acquired in October 2017.

Cost of Goods Sold

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Year ended December 31, 2017 cost of goods sold of $9,808 thousand was up $4,259 thousand or 77% compared to year ended December 31, 2016, driven by expanded production of consumer packaged goods in Illinois, as well as increases from retail sales driven by increases in daily transactions in Illinois and Nevada.

Gross Profit

Gross profit for the year ended December 31, 2017 was $6,721 thousand, representing a gross margin on the sale of branded cannabis flower and processed and packaged products including concentrates, edibles, topicals and other cannabis products, of 41%. This is compared to gross profit for the year ended December 31, 2016 of $1,664 thousand or a 23% gross margin.

Total Expenses

Total expenses for year ended December 31, 2017 were $11,491 thousand, an increase of $6,827 thousand, compared to year ended December 31, 2016.

Increase in total expenses was attributable to an increase in general and administrative expenses driven by salaries and benefits as a result of new headcount from the Company's Retail facilities in Illinois and Nevada, along with corporate staff development and professional fees related to growth related activities.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted at year-end. For year ended December 31, 2017, Federal and State income tax expense totaled $214 thousand compared to zero provision for income taxes for the year ended December 31, 2016.

Loss From Operations

Net operating loss before provision for income taxes and non-controlling interest for year ended December 31, 2017 was $4,658 thousand, an increase of $1,125 thousand compared to the year ended December 31, 2016. The increase in net operating income was driven by start-up costs for upcoming new markets along with growth related professional fees.

As presented in the Non-GAAP section, after adjusting for non-operating items, adjusted operating EBITDA was ($4,080) thousand and ($2,506) thousand for the year ended December 31, 2017 and 2016, respectively.

Results of Operations - by Segment

The following tables summarize revenues net of sales discounts by segment for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,			2019 vs. 2018		2018 vs. 2017	
	2019	**2018**	**2017**	**$ Change**	**% Change**	**$ Change**	**% Change**
Consumer Packaged Goods	$109,930,160	$25,706,134	$ 8,375,953	84,224,026	328%	17,330,181	207%
Retail	137,809,904	41,994,791	9,924,970	95,815,113	228%	32,069,821	323%
Intersegment Eliminations	(31,307,459)	(5,207,245)	(1,772,144)	(26,100,214)	n.m.	(3,435,101)	n.m.
Total Revenues, Net of Discounts	**$216,432,605**	**$62,493,676**	**$16,528,779**	**153,938,929**	**246%**	**45,964,897**	**278%**

Year Ended December 31, 2019

Revenues, net of discounts for the Consumer Packaged Goods Segment were $109,930,160, an increase of $84,224,026 or 328%, compared to the year ended December 31, 2018. The increase in Consumer Packaged Goods revenues, net of discounts, was primarily driven by increased sales volume in established markets such as Illinois, Massachusetts, Maryland and Pennsylvania as well as the acquisition of Advanced Grow Labs, LLC's cultivation and processing facility and Integral Associates, LLC's Desert Grown Farms cultivation and processing facility.

Revenues, net of discounts for the Retail Segment were $137,809,904, an increase of $95,815,113 or 228%, compared to the year ended December 31, 2018. The increase in Retail revenues, net of discounts, was primarily driven by new store openings, the acquisition of Integral Associates, LLC's Essence branded dispensaries and increased sales volume at existing stores.

Due to the vertically integrated nature of the business, the Company reviews its revenue at the Retail and CPG level while reviewing its operating results on a consolidated basis.

Year Ended December 31, 2018

Revenues, net of discounts for the Consumer Packaged Goods Segment were $25,706,134, an increase of $17,330,181 or 207%, compared to the year ended December 31, 2017. The increase in Consumer Packaged Goods revenues, net of discounts, was primarily driven by new markets in Pennsylvania and Massachusetts along with increased sales volume in the established markets of Illinois and Maryland.

Revenues, net of discounts for the Retail Segment were $41,994,791, an increase of $32,069,821 or 323%, compared to the year ended December 31, 2017. The increase in Retail revenues, net of discounts, was primarily driven by new store openings in Pennsylvania and Maryland, increased sales volume at existing stores in the established markets of Illinois and Nevada as well as the revenue from the acquisition of two Illinois stores in October 2017.

Due to the vertically integrated nature of the business, the Company reviews its revenue at the Retail and CPG level while reviewing its operating results on a consolidated basis.

Drivers of Results of Operations

Revenue

The Company derives its revenue from two revenue streams: a Consumer Packaged Good business in which it manufactures, sells and distributes its portfolio of finished consumer packaged goods, including brands Rythm, Dogwalkers, The Feel Collection and Beboe, among others, primarily to third-party retail customers; and a Retail business in which it sells finished goods sourced primarily from third-party cannabis manufacturers direct to the end consumer in its brick and mortar retail stores, as well as direct-to-consumer delivery where applicable by state law.

For the year ended December 31, 2019, revenue was contributed from consumer packaged goods and retail sales across California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio and Pennsylvania.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes allocations of rent, utilities and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

During the year ended December 31, 2019, the Company continued to be focused on executing sustainable, profitable growth of the Company's base business while pursuing national expansion. GTI expects to continue its growth strategy for the foreseeable future as the Company expands its consumer packaged goods and retail footprint within its current markets with acquisitions and partnerships, and scales resources into new markets.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and marketing and branding activities. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, the Company expects selling costs to remain relatively flat in the more established operational markets (Connecticut, Illinois, Nevada, Maryland, Massachusetts and Pennsylvania) and increase in the up and coming markets as business continues to grow (Florida, New Jersey, New York and Ohio). The increase is expected to be driven primarily by the growth of our Retail channels and the ramp up from pre-revenue to sustainable market share.

General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, stock-based compensation and other professional service costs. The Company expects to continue to invest considerably in this area to support aggressive expansion plans and to support the business by attracting and retaining top-tier talent. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the legal cannabis industry, it is subject to the limitations of IRC Section 280E under which taxpayers are only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

Non-GAAP Measures

EBITDA, Adjusted Operating EBITDA, and Adjusted EBITDA are non-GAAP measures and do not have standardized definitions under GAAP. The following information provides reconciliations of the supplemental non-GAAP financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. 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.

	December 31, 2019	2018	2017
		(in thousands)	
Net Income (Loss) Before Non-Controlling Interest	$(59,547)	$ 22,568	$(4,872)
Interest Income	(1,466)	(1,953)	—
Interest Expense	13,659	2,279	432
Provision For Income Taxes	9,344	7,184	214
Other Income	10,319	(56,417)	(544)
Depreciation and amortization	31,153	5,184	690
Earnings before interest, taxes, depreciation and amortization (EBITDA) (non-GAAP measure)	**$ 3,462**	**$(21,155)**	**$(4,080)**
Stock-based compensation, non-cash	18,285	12,148	—
Acquisition, transaction and other non-operating costs	6,015	—	—
Adjusted Operating EBITDA (non-GAAP measure)	**$ 27,762**	**$ (9,007)**	**$(4,080)**

Liquidity, Financing Activities During the Period, and Capital Resources

As of December 31, 2019, and 2018, the Company had total current liabilities of $111,367 thousand and $47,852 thousand, respectively, and cash and cash equivalents of $46,667 thousand and $145,986 thousand, respectively to meet its current obligations. As of December 31, 2019, the Company had working capital of ($2,305) thousand, down $123,515 thousand as compared to December 31, 2018, driven primarily by liabilities arising from the completion of business acquisitions during the year ended December 31, 2019. Contingent consideration payable of $50,391 thousand and liability for acquisition of noncontrolling interest of $5,500 thousand are two such current liabilities, both of which the Company has the ability to settle in cash or Subordinated Voting Shares. In each instance, the Company anticipates settling these liabilities in full with Subordinated Voting Shares, thereby increasing working capital (adjusted for these non-cash liabilities) to $53,587 thousand for the year ended December 31, 2019.

The Company is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Cash Flows

Cash Used in Operating Activities

Net cash used in operating activities for the years ended December 31, 2019, 2018 and 2017, were as follows:

(in thousands)	Years Ended December 31, 2019	2018	2017
Net Cash Used in Operating Activities	($18,014)	($17,683)	($4,289)

Cash Flow from Investing Activities

Net cash used in investing activities for the years ended December 31, 2019, 2018 and 2017, were as follows:

(in thousands)	Years Ended December 31, 2019	2018	2017
Net Cash Used in Investing Activities	($174,671)	($111,421)	($26,025)

Cash Flow from Financing Activities

Net cash provided by financing activities for the years ended December 31, 2019, 2018 and 2017, were as follows:

(in thousands)	Years Ended December 31, 2019	2018	2017
Net Cash Provided by Financing Activities	$93,366	$245,525	$46,924

Contractual Cash Obligations and Other Commitments and Contingencies

The following table quantifies the Company’s future contractual obligations as of December 31, 2019:

	Total	2020	2021	2022	2023	2024	Thereafter
Notes Payable(a)	$105,466,429	$ —	$ —	$105,466,429	$ —	$ —	$ —
Charitable Contributions	970,957	206,675	184,913	188,958	193,092	197,319	—
Interest Due on Notes Payable	30,304,983	12,655,971	12,655,971	4,993,041	—	—	—
Operating Leases - Third Party	104,768,501	10,041,583	10,862,998	10,261,431	10,039,912	8,750,062	54,812,515
Operating Leases - Related Parties	18,676,425	1,392,233	1,424,852	1,458,247	1,492,438	1,384,036	11,524,619
Contingent Consideration(b)	58,936,739	50,391,181	8,545,558	—	—	—	—
Liability for Acquisition of Noncontrolling Interest(b)	5,500,000	5,500,000	—	—	—	—	—
Construction Commitments	10,877,000	10,877,000	—	—	—	—	—
Total as of December 31, 2019	**$335,501,034**	**$91,064,643**	**$33,674,292**	**$122,368,106**	**$11,725,442**	**$10,331,417**	**$66,337,134**

(a) - The amount excludes $15,090,517 of unamortized debt discount as of December 31, 2019. See Note 10 - Notes Payable for details.
(b) - The Company has the ability to settle these liabilities in cash or Subordinated Voting Shares. In each instance, the Company anticipates settling these liabilities in full through the issuance of Subordinate Voting Shares.

Off-Balance Sheet Arrangements

As of December 31, 2019, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Pending and Subsequent Transactions

On January 31, 2020, the Company closed on a sale and lease back transaction to sell its Toledo, Ohio processing facility to an unrelated third party. GTI will lease back the facility via a long-term agreement and continue to operate and manage it. The purchase price for the property was $2.9 million, excluding transaction costs. GTI is also expected to make certain improvements to the property that will significantly enhance production capacity, for which GTI will be reimbursed up to $4.3 million. Assuming full reimbursement for such improvements, the total investment in the property will be $7.2 million.

On March 6, 2020, the Company closed on a sale and lease back transaction to sell its Oglesby, Illinois cultivation and processing facility to an unrelated third party. GTI will lease back the facility via a long-term agreement and continue to operate and manage it. The purchase price for the property was $9.0 million, excluding transaction costs. GTI is also expected to make certain improvements to the property that will significantly enhance production capacity, for which GTI will be reimbursed up to $41.0 million. Assuming full reimbursement for such improvements, the total investment in the property will be $50.0 million.

Changes in or Adoption of Accounting Practices

The following GAAP standards have been recently issued by the accounting standards board. The Company is assessing the impact of these new standards on future consolidated financial statements.

(i) In February 2016, the FASB issued Accounting Standards Update No. 2016-02 “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to record most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. For lessors, ASU 2016-02 also modifies the classification criteria and the accounting for sales-type and direct financing leases. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements and is effective in the first quarter of 2019.

Upon adoption of ASU 2016-02, the Company recorded right-of-use assets of $11,197,339 and corresponding lease liabilities of $11,695,585 with the difference of $498,246 recorded in opening retained earnings.

(ii) In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. This update will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company expects to implement the provisions of ASU 2016-13 as of January 1, 2020. The Company is currently evaluating the effect of adopting this ASU on the Company’s financial statements.

(iii) In January 2017, the FASB issued Accounting Standards Update No. 2017-04 “Intangibles— Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”), which simplifies the accounting for goodwill impairment. ASU 2017-04 requires entities to record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value (Step 1 under the current impairment test). The standard eliminates Step 2 from the current goodwill impairment test, which included determining the implied fair value of goodwill and comparing it with the carrying amount of that goodwill. ASU 2017-04 must be applied prospectively and is effective in the first quarter of 2020. Early adoption is permitted. The Company intends to adopt the new standard in the first quarter of 2020.

(iv) In August 2018, the FASB issued ASU 2018-13, Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820). ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU 2018-13 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the effect of adopting this ASU on the Company’s financial statements.

(v) In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning January 1, 2021. The Company is currently evaluating the effect of adopting this ASU on the Company’s financial statements.

(vi) In January 2020, the FASB issued ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) (“ASU 2020-01”), which is intended to clarify the interaction of the accounting for

equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. ASU 2020-01 is effective for the Company beginning January 1, 2021. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired.

Business Combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

Cannabis licenses are the primary intangible asset acquired in business combinations as they provide the Corporation the ability to operate in each market. However, some cannabis licenses are subject to renewal and therefore there is some risk of non-renewal for several reasons, including operational, regulatory, legal or economic. To appropriately consider the risk of non-renewal, the Corporation applies probability weighting to the expected future net cash flows in calculating the fair value of these intangible assets. The key assumptions used in these cash flow projections include discount rates and terminal growth rates. Of the key assumptions used, the impact of the estimated fair value of the intangible assets have the greatest sensitivity to the estimated discount rate used in the valuation. Management selected discount rates ranging from 12% to 18% primarily dependent upon the markets in which each of the acquisitions operates. The terminal growth rate represents the rate at which these businesses will continue to grow into perpetuity. Management selected terminal growth rates between 2% and 3%. Other significant assumptions include revenue, gross profit, operating expenses and anticipated capital expenditures which are based upon the Corporation's historical operations along with management projections.

The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Investments in Private Holdings

Investments include private company investments which are carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the companies, which may include operating results, subsequent rounds of financing and other appropriate information. Any change in fair value is recognized on the consolidated statement of operations.

Goodwill Impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the reporting unit to which goodwill has been assigned or allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Determination of Reporting Units

The Company's assets are aggregated into two reportable segments (Retail and Consumer Packaged Goods). For the purposes of testing goodwill, GTI has identified 22 reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on the geographic areas in which GTI conducts business (or each market). The markets were then further divided into reporting units based on the market operations (Retail and Consumer Packaged Goods) which were primarily determined based on the licenses each market holds. See Note 20 - Segment Reporting for additional details.

Consolidation

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained. See Note 14 – Variable Interest Entities for further details.

Allowance for Uncollectible Accounts

Management determines the allowance for uncollectible accounts by evaluating individual receivable balances and considering accounts and other receivable financial condition and current economic conditions. Accounts receivable and financial assets recorded in other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the balance sheet date.

Stock-Based Payments

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

Fair Value of Financial Instruments

The individual fair values attributed to the different components of a financing transaction, including derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, member contribution receivable, notes receivable, due from related parties, investments, accounts payable and accrued liabilities, notes payable, derivative liability, liability for acquisition of noncontrolling interest and contingent consideration payable.

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 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.

ITEM 7A. QUANTITAVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

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 at December 31, 2019 is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.