

**Green Thumb Industries Inc.**  
**Unaudited Interim Condensed Consolidated Balance Sheets**  
**As of March 31, 2020 and December 31, 2019**  
*(Amounts Expressed in United States Dollars, Except for Share Amounts)*

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 71,521,954	\$ 46,667,334
Accounts Receivable	6,725,972	7,530,253
Inventories	50,170,268	46,034,481
Prepaid Expenses	6,225,954	6,780,657
Other Current Assets	6,171,998	2,049,886
Total Current Assets	140,816,146	109,062,611
Property and Equipment, Net	160,463,256	155,596,675
Right of Use Assets, Net	97,034,010	63,647,812
Investments	13,853,214	14,068,821
Investment in Associate	10,600,000	10,350,000
Notes Receivable	—	815,937
Intangible Assets, Net	426,328,731	435,246,898
Goodwill	372,218,999	375,084,991
Deposits and Other Assets	1,699,805	3,662,879
<b>TOTAL ASSETS</b>	<b>\$1,223,014,161</b>	<b>\$1,167,536,624</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 17,945,740	\$ 9,990,377
Accrued Liabilities	42,486,913	35,939,850
Current Portion of Notes Payable	182,926	206,675
Current Portion of Lease Liabilities	1,473,812	3,833,268
Liability for Acquisition of Noncontrolling Interest	5,500,000	5,500,000
Contingent Consideration Payable	41,581,975	50,391,181
Income Tax Payable	19,078,904	5,505,904
Total Current Liabilities	128,250,270	111,367,255
<b>Long-Term Liabilities:</b>		
Lease Liabilities	98,032,455	61,115,737
Notes Payable, Net of Current Portion	92,690,031	91,140,194
Contingent Consideration Payable	8,762,527	8,545,558
Warrant Liability	8,497,000	15,879,843
Deferred Income Taxes	33,976,361	36,279,361
<b>TOTAL LIABILITIES</b>	<b>370,208,644</b>	<b>324,327,948</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHARE HOLDERS' EQUITY</b>		
Subordinate Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2020: Unlimited, 144,811,572 and 144,811,572, respectively at December 31, 2019: Unlimited, 128,999,964 and 128,999,964, respectively)	—	—
Multiple Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2020: Unlimited, 238,504 and 238,504, respectively at December 31, 2018: Unlimited, 373,350 and 373,350, respectively)	—	—
Super Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2020: Unlimited, 390,814 and 390,814, respectively at December 31, 2019: Unlimited, 402,289 and 402,289, respectively)	—	—
Share Capital	990,290,509	980,638,701
Contributed Surplus	8,302,730	3,960,854
Deferred Share Issuances	16,587,798	16,587,798
Accumulated Deficit	(164,697,854)	(160,491,590)
Equity of Green Thumb Industries Inc.	850,483,183	840,695,763
Noncontrolling interests	2,322,334	2,512,913
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>852,805,517</b>	<b>843,208,676</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,223,014,161</b>	<b>\$1,167,536,624</b>

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

**Green Thumb Industries Inc.**  
**Unaudited Interim Condensed Consolidated Statements of Operations**  
**Three Months Ended March 31, 2020 and 2019**  
*(Amounts Expressed in United States Dollars, Except for Share Amounts)*

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenues, net of discounts	\$102,602,602	\$ 27,913,163
Cost of Goods Sold, net	(49,615,188)	(15,123,942)
Gross Profit	<u>52,987,414</u>	<u>12,789,221</u>
<b>Expenses:</b>		
Selling, General, and Administrative	45,434,757	26,418,881
<b>Total Expenses</b>	<u>45,434,757</u>	<u>26,418,881</u>
<b>Income (Loss) From Operations</b>	<u>7,552,657</u>	<u>(13,629,660)</u>
<b>Other Income (Expense):</b>		
Other Income, net	6,786,110	5,256,653
Interest Income	88,115	356,830
Interest Expense, net	(5,041,442)	(451,878)
<b>Total Other Income (Expense)</b>	<u>1,832,783</u>	<u>5,161,605</u>
<b>Income (Loss) Before Provision for Income Taxes And Non-Controlling Interest</b>	<u>9,385,440</u>	<u>(8,468,055)</u>
<b>Provision For Income Taxes</b>	<u>13,149,000</u>	<u>1,236,000</u>
<b>Net Loss Before Non-Controlling Interest</b>	<u>(3,763,560)</u>	<u>(9,704,055)</u>
<b>Net Income (Loss) Attributable to Non-Controlling Interest</b>	<u>442,704</u>	<u>(140,999)</u>
<b>Net Loss Attributable to Green Thumb Industries Inc.</b>	<u>\$ (4,206,264)</u>	<u>\$ (9,563,056)</u>
<b>Net Loss per share - basic and diluted</b>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>208,468,356</u>	<u>167,171,886</u>

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

**Green Thumb Industries Inc.**  
**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**  
**Three Months Ended March 31, 2020 and 2019**  
*(Amounts Expressed in United States Dollars)*

	Share Capital	Shares to Be Issued	Contributed Surplus	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
<b>Balance, January 1, 2019</b>	\$397,590,465	\$ 27,773,234	\$14,202,659	\$ —	\$ (100,876,937)	\$ 3,497,459	\$342,186,880
Adoption of ASC 842, <i>Leases</i>	—	—	—	—	(498,246)	—	(498,246)
Noncontrolling interests adjustment for change in ownership	27,773,234	(27,773,234)	4,200,382	—	—	—	4,200,382
Contributions from limited liability company unit holders	—	—	—	—	—	1,650,000	1,650,000
Issuance of shares under business combinations and investments	168,904,857	—	(4,789,147)	—	—	—	164,115,710
Issuance of shares for redemption of noncontrolling interests	15,025,523	—	(2,048,653)	—	—	—	12,976,870
Deferred Share Issuances	—	—	—	15,280,000	—	—	15,280,000
Stock based compensation	—	—	5,844,800	—	—	—	5,844,800
Distributions to limited liability company unit holders	—	—	—	—	—	(536,159)	(536,159)
Net loss	—	—	—	—	(9,563,056)	(140,999)	(9,704,055)
<b>Balance, March 31, 2019</b>	<u>\$609,294,079</u>	<u>\$ —</u>	<u>\$17,410,041</u>	<u>\$ 15,280,000</u>	<u>\$ (110,938,239)</u>	<u>\$ 4,470,301</u>	<u>\$535,516,182</u>
<b>Balance, January 1, 2020</b>	\$980,638,701	\$ —	\$ 3,960,854	\$ 16,587,798	\$ (160,491,590)	\$ 2,512,913	\$843,208,676
Contributions from limited liability company unit holders	—	—	—	—	—	50,000	50,000
Issuance of shares under business combinations and investments	684,551	—	(678,489)	—	—	—	6,062
Contingent consideration, and other adjustments to purchase accounting	8,967,257	—	—	—	—	—	8,967,257
Stock based compensation	—	—	5,073,742	—	—	—	5,073,742
Distributions to third party and limited liability company unit holders	—	—	(53,377)	—	—	(683,283)	(736,660)
Net loss	—	—	—	—	(4,206,264)	442,704	(3,763,560)
<b>Balance, March 31, 2020</b>	<u>\$990,290,509</u>	<u>\$ —</u>	<u>\$ 8,302,730</u>	<u>\$ 16,587,798</u>	<u>\$ (164,697,854)</u>	<u>\$ 2,322,334</u>	<u>\$852,805,517</u>

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

**Green Thumb Industries Inc.**  
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2020 and 2019**  
*(Amounts Expressed in United States Dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss attributable to Green Thumb Industries Inc.	\$ (4,206,264)	\$ (9,563,056)
Net income (loss) attributable to non-controlling interest	442,704	(140,999)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,705,172	3,261,333
Amortization of operating lease assets	4,257,515	492,000
Gain on disposal of property and equipment	(239,096)	—
Bad debt expense	315,261	—
Deferred income taxes	(424,000)	24,000
Stock based compensation	5,073,742	5,844,800
Decrease (increase) in fair value of investments	274,592	(593,522)
Changes in value of liabilities related to put option and purchase of noncontrolling interests	—	(448,166)
Interest on contingent consideration payable and acquisition liabilities	546,009	273,777
Increase (decrease) in fair value of contingent consideration	(170,990)	—
Decrease in fair value of warrants	(7,382,843)	—
Decrease (increase) in fair value of note receivable	810,337	(4,109,793)
Amortization of debt discount	1,585,322	—
Changes in operating assets and liabilities:		
Accounts receivable	489,020	700,025
Inventory	(4,135,787)	(2,591,611)
Prepaid expenses and other current assets	(3,561,809)	264,534
Deposits and other assets	1,963,074	216,503
Accounts payable	7,955,363	5,687,409
Accrued liabilities	264,226	(5,338,647)
Operating lease liabilities	(3,086,451)	(284,336)
Income tax payable	13,573,000	2,006,443
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>27,048,097</b>	<b>(4,299,306)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(13,246,608)	(12,295,601)
Proceeds from disposal of assets	11,799,025	—
Purchase of businesses, net of cash acquired	—	(12,941,549)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,447,583)</b>	<b>(25,237,150)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions from limited liability company unit holders	50,000	1,650,000
Distributions to third parties and limited liability company unit holders	(736,660)	(536,159)
Principal repayment of notes payable	(59,234)	(481,490)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(745,894)</b>	<b>632,351</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH:</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>24,854,620</b>	<b>(28,904,105)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>46,667,334</b>	<b>145,986,072</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 71,521,954</b>	<b>\$117,081,967</b>

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

**Green Thumb Industries Inc.**  
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2020 and 2019**  
*(Amounts Expressed in United States Dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 2,910,111	\$ 178,434
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued capital expenditures	\$ 6,966,907	\$ 1,320,000
Noncash increase in right of use asset	\$(33,742,287)	\$ (22,233,609)
Noncash increase in lease liability	\$ 33,742,287	22,731,855
Net liability upon adoption of ASC 842, <i>Leases</i>	\$ —	\$ (498,246)
Exercise of put option	\$ —	\$ 4,200,382
Issuance of shares under acquisition agreement	\$ 8,967,257	\$ —
Deferred share issuances to prior owners of noncontrolling interest	\$ 400,143	\$ 15,280,000
Issuance of shares under business combinations	\$ 6,062	\$(164,549,779)
<b>Acquisitions</b>		
Inventory	\$ —	\$ 2,951,828
Accounts receivable	—	420,649
Property and equipment	—	6,002,725
Right of use assets	—	565,336
Identifiable intangible assets	—	87,000,000
Goodwill	(2,865,992)	158,664,327
Deposits and other assets	1,015,020	636,180
Liabilities assumed	(302,604)	(3,352,704)
Lease liabilities	—	(565,336)
Contingent liabilities	—	(27,079,852)
Deferred share issuances	—	(15,280,000)
Equity interests issued	503,389	(164,549,779)
Conversion of note receivable previously issued	—	(9,012,000)
Acquisition liability	(228,813)	(839,825)
Deferred income taxes	1,879,000	(22,620,000)
	<u>\$ —</u>	<u>\$ 12,941,549</u>
<b>RECONCILIATION OF CASH, AND CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Cash and cash equivalents	\$ 64,613,618	\$ 117,081,967
Restricted cash	6,908,336	—
<b>TOTAL CASH, AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>\$ 71,521,954</u>	<u>\$ 117,081,967</u>

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

**Green Thumb Industries Inc.**  
**Notes to Unaudited Interim Condensed Consolidated Financial Statements**  
*(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)*

**1. Overview and Basis of Presentation**

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*(a) Description of Business*

Green Thumb Industries Inc. (“Green Thumb” or the “Company”) is promoting well-being through the power of cannabis through branded consumer packaged goods and people-first retail experiences, while being committed to community and sustainable profitable growth. Green Thumb owns, manufactures, and distributes a portfolio of cannabis consumer packaged goods brands including Beboe, Dogwalkers, Dr. Solomon’s, incredible, Rythm and The Feel Collection, primarily to third-party retail stores across the United States as well as to Green Thumb owned retail stores. The Company also owns and operates retail cannabis stores that include a rapidly growing national chain of retail cannabis stores called Rise™ and a Las Vegas, Nevada area chain of retail cannabis stores called Essence. As of March 31, 2020, Green Thumb has operating revenue in twelve markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio, and Pennsylvania).

On June 12, 2018, the Company completed a reverse takeover transaction (“RTO”) as further described in Note 3 of Green Thumb’s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on April 15, 2020 (“2019 Form 10-K”). Following the RTO, the Company was listed on the Canadian Securities Exchange (the “CSE”) under ticker symbol “GTII” and on the OTCQX, part of the OTC Markets Group, under the ticker “GTBIF”.

The Company’s registered office is located at 885 West Georgia Street, Suite 2200, Vancouver, British Columbia, V6C 3E8, Canada. The Company’s U.S. headquarters are at 325 W. Huron St., Suite 412, Chicago, IL 60654.

*(b) Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements include the accounts of Green Thumb Industries Inc. and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and, accordingly, certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with GAAP, have been condensed or omitted in accordance with SEC rules and regulations. The financial data presented herein should be read in conjunction with the audited consolidated and combined financial statements and accompanying notes included in the 2019 Form 10-K. In the opinion of management, the financial data presented includes all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Results of interim periods should not be considered indicative of the results for the full year. These unaudited condensed consolidated interim financial statements include estimates and assumptions of management that affect the amounts reported in the unaudited condensed consolidated financial statements. Actual results could differ from these estimates.

The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2020.

*(c) Significant Accounting Policies*

There have been no changes to the Company’s significant accounting policies as described in Note 2 of the Company’s 2019 Form 10-K.

*(d) Loss per Share*

Basic loss per share is calculated using the treasury stock method, by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the periods presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the loss per share calculations. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has three categories of potentially dilutive common share equivalents: restricted stock units, stock options and warrants. At March 31, 2020, the Company had 5,974,938 options outstanding, 1,477,898 restricted stock units and 2,387,470 warrants outstanding. At March 31, 2019, the Company had 2,411,192 options outstanding, 1,585,000 restricted stock units outstanding and no warrants outstanding.

In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options would be used to repurchase common shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of stock options and convertible debt that would decrease loss per share. As a result, the Company’s calculation of basic loss per share and diluted loss per share include the same number of share equivalents for three months ended March 31, 2020 and 2019.

*(e) Recently Adopted Accounting Standards*

- (i) In June 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which replaces the incurred loss model with a current expected credit loss (“CECL”) model and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. This standard applies to financial assets, measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases and trade accounts receivable. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings in the period of adoption. The Company adopted ASU 2016-13 on January 1, 2020. The adoption of the standard did not have a material impact on the Company’s unaudited interim condensed consolidated financial statements.
- (ii) 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 adopted the new standard in the first quarter of 2020. The adoption of the standard did not have a material impact on the Company’s unaudited interim condensed consolidated financial statements.
- (iii) 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. The Company adopted the new standard in the first quarter of 2020. The adoption of the standard did not have a material impact on the Company’s unaudited interim condensed consolidated financial statements.

*(f) Coronavirus Pandemic*

In March 2020, the World Health Organization categorized coronavirus disease 2019 (“COVID-19”) as a pandemic. COVID-19 continues to spread throughout the U.S. and other countries across the world, and the duration and severity of its effects are currently unknown. The Company is implementing and evaluating actions to strengthen its financial position and support the continuity of its business and operations.

The Company’s unaudited interim condensed consolidated financial statements presented herein reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and reported amounts of revenue and expenses during the periods presented. Such estimates and assumptions affect, among other things, the Company’s goodwill, long-lived asset and intangible assets; operating lease right of use assets and operating lease liabilities; assessment of the annual effective tax rate; valuation of deferred income taxes; the allowance for doubtful accounts; assessment of our lease and non-lease contract expenses; and measurement of compensation cost for bonus and other compensation plans. The Company’s assessment of conditions and events, considered in the aggregate, indicate it will be able to meet its obligations as they become due within one year after the date of these financial statements. There continues to be a high level of uncertainty in estimating the expected economic and operational impacts relative to COVID-19 as it is an evolving situation. The estimates and assumptions used in the first quarter 2020 financial statements may change in future periods as the expected impacts from COVID-19 are revised, resulting in further potential impacts to the Company’s financial statements.



**Green Thumb Industries Inc.**  
**Notes to Unaudited Interim Condensed Consolidated Financial Statements**  
*(Amounts Expressed in United States Dollars, Except Where Stated Otherwise)*

**2. INVENTORIES**

The Company's inventories include the following at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Raw Material	\$ 3,658,076	\$ 6,375,032
Packaging and Miscellaneous	5,550,391	4,887,970
Work in Process	22,945,070	20,162,723
Finished Goods	19,654,279	16,640,629
Reserve for Obsolete Inventory	(1,637,548)	(2,031,873)
<b>Total Inventories</b>	<b><u>\$50,170,268</u></b>	<b><u>\$46,034,481</u></b>

**3. PROPERTY AND EQUIPMENT**

At March 31, 2020, property and equipment consisted of the following:

	Land	Buildings and Improvements	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Production and Processing Equipment	Capitalized Interest	Assets Under Construction	Total
<b>Cost</b>									
As at January 1, 2020	\$3,272,439	\$33,377,471	\$2,509,918	\$7,073,807	\$68,681,497	\$25,926,146	\$2,500,000	\$ 21,372,116	\$164,713,394
Transfers	—	21,800,000	674,000	—	1,852,000	(5,887,000)	—	(18,439,000)	—
Additions	—	38,549	356,935	68,229	934,802	382,276	242,976	18,304,708	20,328,475
Disposals	(205,000)	(5,337,930)	—	—	—	—	—	(6,508,636)	(12,051,566)
As at March 31, 2020	<u>\$3,067,439</u>	<u>\$49,878,090</u>	<u>\$3,540,853</u>	<u>\$7,142,036</u>	<u>\$71,468,299</u>	<u>\$20,421,422</u>	<u>\$2,742,976</u>	<u>\$ 14,729,188</u>	<u>\$172,990,303</u>
<b>Accumulated Depreciation</b>									
As at January 1, 2020	\$ —	\$ 2,236,254	\$ 617,016	\$1,558,180	\$ 2,998,287	\$ 1,706,982	\$ —	\$ —	\$ 9,116,719
Depreciation	—	522,976	240,421	316,061	1,507,456	1,111,192	88,899	—	3,787,005
Disposals	—	(376,677)	—	—	—	—	—	—	(376,677)
As at March 31, 2020	<u>\$ —</u>	<u>\$ 2,382,553</u>	<u>\$ 857,437</u>	<u>\$1,874,241</u>	<u>\$ 4,505,743</u>	<u>\$ 2,818,174</u>	<u>\$ 88,899</u>	<u>\$ —</u>	<u>\$ 12,527,047</u>
<b>Net book value</b>									
As at January 1, 2020	\$3,272,439	\$31,141,217	\$1,892,902	\$5,515,627	\$65,683,210	\$24,219,164	\$2,500,000	\$ 21,372,116	\$155,596,675
As at March 31, 2020	\$3,067,439	\$47,495,537	\$2,683,416	\$5,267,795	\$66,962,556	\$17,603,248	\$2,654,077	\$ 14,729,188	\$160,463,256

At December 31, 2019, property and equipment consisted of the following:

	Land	Buildings and Improvements	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Production and Processing Equipment	Capitalized Interest	Assets Under Construction	Total
<b>Cost</b>									
As at January 1, 2019	\$ 2,243,085	\$ 20,861,988	\$2,328,847	\$2,093,205	\$18,435,893	\$ 6,579,446	\$ —	\$ 16,664,958	\$ 69,207,422
Transfers	892,056	9,400,171	40,167	143,882	13,981,780	4,075,642	—	(28,533,698)	—
Additions	3,500,974	18,817,329	34,669	4,667,127	24,020,898	14,147,722	2,500,000	33,211,782	100,900,501
Additions from acquisitions	—	—	106,235	169,593	12,242,926	3,977,534	—	29,074	16,525,362
Disposals	(3,363,676)	(15,702,017)	—	—	—	(2,854,198)	—	—	(21,919,891)
As at December 31, 2019	<u>\$ 3,272,439</u>	<u>\$ 33,377,471</u>	<u>\$2,509,918</u>	<u>\$7,073,807</u>	<u>\$68,681,497</u>	<u>\$25,926,146</u>	<u>\$2,500,000</u>	<u>\$ 21,372,116</u>	<u>\$164,713,394</u>
<b>Accumulated Depreciation</b>									
As at January 1, 2019	\$ —	\$ 1,351,230	\$ 489,956	\$ 249,423	\$ 1,007,998	\$ 784,735	\$ —	\$ —	\$ 3,883,342
Depreciation	—	1,866,400	127,060	1,308,757	1,990,289	1,535,205	—	—	6,827,711
Disposals	—	(981,376)	—	—	—	(612,958)	—	—	(1,594,334)
As at December 31, 2019	<u>\$ —</u>	<u>\$ 2,236,254</u>	<u>\$ 617,016</u>	<u>\$1,558,180</u>	<u>\$ 2,998,287</u>	<u>\$ 1,706,982</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,116,719</u>
<b>Net book value</b>									
As at January 1, 2019	\$ 2,243,085	\$ 19,510,758	\$1,838,891	\$1,843,782	\$17,427,895	\$ 5,794,711	\$ —	\$ 16,664,958	\$ 65,324,080
As at December 31, 2019	\$ 3,272,439	\$ 31,141,217	\$1,892,902	\$5,515,627	\$65,683,210	\$24,219,164	\$2,500,000	\$ 21,372,116	\$155,596,675

Assets under construction represent construction in progress related to both cultivation and dispensary facilities not yet completed or otherwise not ready for use.

Depreciation expense for the three months ended March 31, 2020 and 2019 totaled \$3,787,005 and \$1,051,327, respectively, of which \$2,677,727 and \$649,097, respectively, is included in cost of goods sold.

**Green Thumb Industries Inc.**  
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**3. PROPERTY AND EQUIPMENT (Continued)**

On January 31, 2020, the Company closed on a sale and lease back transaction to sell its Toledo, Ohio cultivation and processing facility to Innovative Industrial Properties (IIP). Under the long-term agreement, the Company has leased back the facility and continues to operate and manage it. As a result of the sale, the Company disposed of \$205,000 of land and \$2,695,000 of construction in progress. There was no gain or loss on the sale.

On March 6, 2020, the Company closed on a sale and lease back transaction to sell its Oglesby, Illinois cultivation and processing facility to IIP. Under the long-term agreement, the Company has leased back the facility and continues to operate and manage it. As a result of the sale, the Company disposed of \$4,961,253 of buildings and \$3,813,636 of construction in progress. The Company recognized a gain on the sale of Oglesby facility \$239,096 which was recorded within other income (expense) on the condensed consolidated interim statement of operations.

For further information regarding these transactions, see Note 5 - Leases.

**4. INTANGIBLE ASSETS AND GOODWILL**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over the estimated useful life of each intangible. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

At March 31, 2020 intangible assets consisted of the following:

	<u>Licenses and Permits</u>	<u>Trade Names</u>	<u>Customer Relationships</u>	<u>Non- Competition Agreements</u>	<u>Total</u>
<u>Cost</u>					
As at January 1, 2020	\$336,954,213	\$97,455,590	\$25,258,000	\$2,585,480	\$462,253,283
Additions from acquisitions	—	—	—	—	—
As at March 31, 2020	\$336,954,213	\$97,455,590	\$25,258,000	\$2,585,480	\$462,253,283
<u>Accumulated Amortization</u>					
As at January 1, 2020	\$ 18,477,500	\$ 4,121,800	\$ 3,932,416	\$ 474,669	\$ 27,006,385
Amortization	6,166,204	1,679,259	941,119	131,585	8,918,167
As at March 31, 2020	\$ 24,643,704	\$ 5,801,059	\$ 4,873,535	\$ 606,254	\$ 35,924,552
<u>Net book value</u>					
As at January 1, 2020	\$318,476,713	\$93,333,790	\$21,325,584	\$2,110,811	\$435,246,898
As at March 31, 2020	\$312,310,509	\$91,654,531	\$20,384,465	\$1,979,226	\$426,328,731

**Green Thumb Industries Inc.**  
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**4. INTANGIBLE ASSETS AND GOODWILL (Continued)**

At December 31, 2019 intangible assets consisted of the following:

	Licenses and Permits	Trade Names	Customer Relationships	Non- Competition Agreements	Total
<b>Cost</b>					
As at January 1, 2019	\$ 89,705,213	\$ 360,000	\$ 820,000	\$ 20,480	\$ 90,905,693
Additions from acquisitions	247,249,000	97,095,590	24,438,000	2,565,000	371,347,590
As at December 31, 2019	\$336,954,213	\$97,455,590	\$25,258,000	\$2,585,480	\$462,253,283
<b>Accumulated Amortization</b>					
As at January 1, 2019	\$ 2,322,715	\$ —	\$ 204,500	\$ 12,800	\$ 2,540,015
Amortization	16,154,785	4,121,800	3,727,916	461,869	24,466,370
As at December 31, 2019	\$ 18,477,500	\$ 4,121,800	\$ 3,932,416	\$ 474,669	\$ 27,006,385
<b>Net book value</b>					
As at January 1, 2019	\$ 87,382,498	\$ 360,000	\$ 615,500	\$ 7,680	\$ 88,365,678
As at December 31, 2019	\$318,476,713	\$93,333,790	\$21,325,584	\$2,110,811	\$435,246,898

The Company recorded amortization expense for the three months ended March 31, 2020 and 2019 of \$8,918,167 and \$2,210,006, respectively.

The following table outlines the estimated annual amortization expense related to intangible assets as of March 31, 2020:

<u>Year Ending December 31,</u>	<u>Estimated Amortization</u>
Remainder of 2020	\$ 24,995,106
2021	33,151,991
2022	32,721,251
2023	32,638,437
2024	32,057,103
Thereafter	270,764,843
	<b><u>\$426,328,731</u></b>

**Goodwill**

At March 31, 2020, Goodwill consisted of the following:

	Retail	Consumer Packaged Goods	Total
<b>As at January 1, 2020</b>	\$119,873,759	\$ 255,211,232	\$375,084,991
Adjustments to Purchase Price Allocations	(115,992)	(2,750,000)	(2,865,992)
<b>As at March 31, 2020</b>	<b><u>\$119,757,767</u></b>	<b><u>\$ 252,461,232</u></b>	<b><u>\$372,218,999</u></b>

At December 31, 2019, Goodwill consisted of the following:

	Retail	Consumer Packaged Goods	Total
<b>As at January 1, 2019</b>	\$ 15,286,360	\$ 23,918,000	\$ 39,204,360
Acquisition of Advanced Grow Labs, LLC	16,756,250	44,572,349	61,328,599
Acquisition of Integral Associates, LLC	46,655,753	69,323,570	115,979,323
Other Acquisitions	32,936,590	120,963,598	153,900,188
Adjustments to Purchase Price Allocations	8,238,808	(3,566,285)	4,672,523
<b>As at December 31, 2019</b>	<b><u>\$119,873,759</u></b>	<b><u>\$ 255,211,232</u></b>	<b><u>\$375,084,991</u></b>

**Green Thumb Industries Inc.**  
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**5. LEASES**

**(a) Operating Leases Under Accounting Standards Update No. 2016-02**

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to put most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. On January 1, 2019, the Company adopted the standard and all related amendments, using the optional transition method (modified retrospective approach) applied to leases at the adoption date. Under the modified retrospective approach, comparative periods have not been restated and continue to be reported under the accounting standards in effect for those periods. Additionally, an adjustment was recorded to retained earnings to account for the initial adoption of the standard.

For additional information regarding the adoption of Account Standards Updated No. 2016-02, “Leases (Topic 842)” see Note 9 – Leases in the 2019 Form 10-K.

Other information related to operating leases as of and for the three months ending March 31, 2020 were as follows:

	<b>As of March 31, 2020</b>
Weighted average remaining lease term	12.56 Years
Weighted average discount rate	12.9%

Maturities of lease liabilities for operating leases as of March 31, 2020 were as follows:

<u>Year Ending December 31,</u>	<u>Maturities of Lease Liability</u>		
	<u>Third Party</u>	<u>Related Party</u>	<u>Total</u>
Remainder of 2020	\$ 12,039,451	\$ 1,048,267	\$ 13,087,718
2021	20,432,259	1,424,852	21,857,111
2022	20,053,541	1,458,246	21,511,787
2023	20,030,831	1,492,437	21,523,268
2024	18,980,307	1,384,035	20,364,342
2025 and Thereafter	179,064,584	11,524,619	190,589,203
Total Lease Payments	<u>270,600,973</u>	<u>18,332,456</u>	<u>288,933,429</u>
Less: Interest	<u>(180,217,232)</u>	<u>(9,209,930)</u>	<u>(189,427,162)</u>
<b>Present Value of Lease Liability</b>	<b><u>\$ 90,383,741</u></b>	<b><u>\$ 9,122,526</u></b>	<b><u>\$ 99,506,267</u></b>

For the three months ended March 31, 2020 and 2019, the Company recorded \$4,257,515 and \$905,056, respectively in operating lease expense.

**(b) Related Party Operating Leases**

During 2019, Green Thumb entered into three related party transactions with respect to its leasing arrangements for three Green Thumb facilities in Florida, Illinois and Nevada.

With respect to leasing arrangements in Florida and Illinois, Wendy Berger, a director of the Company, is a principal of WBS Equities, LLC, which is the Manager of Mosaic Real Estate, LLC. Additionally, Mosaic Real Estate, LLC is owned in part by Ms. Berger (through the Wendy Berger 1998 Revocable Trust), Benjamin Kovler, the Chief Executive Officer and a director of the Company (through KP Capital, LLC), and Mr. Georgiadis, the Chief Financial Officer and a director of the Company (through Three One Four Holdings, LLC). The terms of these leases range from 7 years to 15 years. For the three months ended March 31, 2020 and 2019, the Company recorded lease expense of \$222,339 and \$21,754, respectively, associated with these lease arrangements.

**Green Thumb Industries Inc.**  
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**5. LEASES (Continued)**

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In addition to the leases entered into in 2019, the Company had pre-existing operating leases with the same related parties for three dispensaries located in Maryland, Nevada and Massachusetts. These leases commenced in 2017 and have terms of 7 to 15 years. For the three months ended March 31, 2020 and 2019, lease expense associated with these leases was \$190,462 and \$138,128, respectively.

In connection with the Company's acquisition of Integral Associates, LLC, the Company, through a subsidiary, leases property from Durango Teco Partners, LLC, in Nevada for an Essence retail store. The lease has a ten year term. Durango Teco Partners, LLC is owned in part by Armeco capital LLC, which is in turn owned in part by Alejandro Yemenidjian, a former owner of Integral Associates, LLC and a current director of the Company. For the three months ended March 31, 2020, the Company recorded lease expense of \$30,980 associated with this lease.

**(c) Sales Lease Back Transaction**

On January 31, 2020, the Company closed on a sale and lease back transaction to sell its Toledo, Ohio cultivation and processing facility to IIP. Under a long-term agreement, the Company has leased back the facility and continues to operate and manage it. The purchase price for the property was \$2,900,000, excluding transaction costs. The Company is also expected to make certain improvements to the property that will significantly enhance production capacity, for which IIP has agreed to provide reimbursement of up to \$4,300,000. Assuming full reimbursement for such improvements, IIP's total investment in the property will be \$7,200,000. The lease was recorded as an operating lease and resulted in a right of use asset and lease liability of \$3,583,263 and was recorded net of the improvements allowance of \$4,300,000.

On March 6, 2020, the Company closed on a sale and lease back transaction to sell its Oglesby, Illinois cultivation and processing facility to IIP. Under a long-term agreement, the Company has leased back the facility and continues to operate and manage it. The purchase price for the property was \$9,000,000, excluding transaction costs. The Company is also expected to make certain improvements to the property that will significantly enhance production capacity, for which IIP has agreed to provide reimbursement of up to \$41,000,000. Assuming full reimbursement for such improvements, IIP's total investment in the property will be \$50,000,000. The lease was recorded as an operating lease and resulted in a right of use asset and related lease liability of \$26,828,221 and was recorded net of the improvements allowance of \$41,000,000.

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**6. NOTES PAYABLE**

At March 31, 2020 and December 31, 2019, notes payable consisted of the following:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
In connection with an acquisition completed in 2017, the Company is required to make quarterly charitable contributions of \$50,000 through October 2024. The net present value of these required payments has been recorded as a liability with an interest rate of 2.17%	\$ 911,723	\$ 970,957
Private placement debt dated May 22, 2019, in the original amount of \$105,466,429, which matures on May 22, 2022. The debt was issued at a discount, the carrying value of which is \$13,505,195 at March 31, 2020 and \$15,090,517 at December 31, 2019, and bears interest of 12.00% per annum.	<u>91,196,123</u>	<u>90,375,912</u>
<b>Total notes payable</b>	<u>92,872,957</u>	<u>91,346,869</u>
Less: current portion of notes payable	<u>(182,926)</u>	<u>(206,675)</u>
<b>Notes payable, net of current portion</b>	<u><b>\$ 92,690,031</b></u>	<u><b>\$91,140,194</b></u>

For the three months ended March 31, 2020, the Company recognized \$3,146,703 in interest expense associated with the private placement debt (before capitalized interest) and \$1,585,322 in accretion expense. For the three months ended March 31, 2019, an immaterial amount of interest expense was recognized in association with the Company's charitable contribution obligation. No accretion expense was recorded for the three months ended March 31, 2019.

**7. WARRANT LIABILITY**

As part of the April 12, 2019 bridge loan financing, the May 22, 2019 private placement financing and the November 9, 2019 modification, the Company issued warrants to related parties as well as unrelated third-party lenders. The related parties consisted of Benjamin Kovler, the Chief Executive Officer and a director of the Corporation (through KP Capital, LLC); Andrew Grossman, the Executive Vice President of Capital Markets (through AG Funding Group, LLC); and Anthony Georgiadis, the Chief Financial Officer and a director of the Corporation (through Three One Four Holdings, LLC and ABG, LLC). The following table summarizes the number warrants issued to related parties and third parties as of December 31, 2019 and March 31, 2020:

	<u>Third Party Number of Shares</u>	<u>Related Party Number of Shares</u>	<u>Weighted Average Exercise Price (CAD)</u>	<u>Weighted Average Contractual Life</u>
Balance as at December 31, 2019	2,387,470	19,341	18.59	4.86
Granted	—	—	—	—
Balance as at March 31, 2020	2,387,470	19,341	18.59	4.86

**Green Thumb Industries Inc.**  
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**7. WARRANT LIABILITY** (Continued)

The warrants allow the holders to purchase Subordinate Voting Shares at an exercise price determined at the time of issuance. The exercise price of the warrants is denominated in Canadian dollars whereas the Company's functional currency is U.S. Dollars. As such, the Company is required to measure the warrant liability at fair value using a Monte Carlo simulation model. The following table summarizes the fair value of the warrant liability at March 31, 2020 and December 31, 2019:

<i>Warrant Liability</i>	Strike Price C\$	Warrants Issued	March 31, 2020	December 31, 2019
Bridge Financing Warrants	C\$22.90	218,964	\$ 454,000	\$ 1,385,400
Private Placement Financing Warrants	C\$19.39	1,822,771	6,526,000	12,189,169
Modification Warrants	C\$12.04	365,076	1,517,000	2,305,274
<b>Totals</b>		<b>2,406,811</b>	<b>\$8,497,000</b>	<b>\$15,879,843</b>

During the three months ended March 31, 2020, the Company recorded a gain on the reduction in the fair value of the warrant liability of \$7,382,843 within Other Income (Expense) on the consolidated statement of operations.

The following table summarizes the significant assumptions used in determining the fair value of the warrant liability as of each reporting date:

<i>Significant Assumptions</i>	March 31, 2020	December 31, 2019
Volatility	100.77% - 114.74%	117.43% - 123.64%
Remaining Term	2.53 - 4.61 years	2.78 - 4.86 years
Risk Free Rate	0.50% - 0.60%	1.68% - 1.69%

**8. INCOME TAXES**

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31,	
	2020	2019
Income before Income Taxes	\$ 9,385,440	\$(8,468,055)
Income Tax Expense	13,149,000	1,236,000
Effective Tax Rate	140.1%	(14.6%)

The effective tax rates for the three months ended March 31, 2020 and March 31, 2019 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within the periods presented.

Due to its cannabis operations, the Company is subject to the limitations of Internal Revenue Code ("IRC") Section 280E under which the Company is 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.

The effective tax rate for the three months ended March 31, 2020 varies widely from the three months ended March 31, 2019 primarily due to the Company reporting pre-tax loss in 2019 as opposed to pre-tax income in 2020. The large amount of nondeductible expenses incurred by the Company subject to IRC Section 280E, was the driver for income tax expense being incurred in a pre-tax loss quarter for 2019.



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**8. INCOME TAXES (Continued)**

The Company is subject to income taxes in the United States and Canada. Significant judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. The Company's gross unrecognized tax benefits were \$4.3 million and \$0.8 million as of March 31, 2020 and March 31, 2019, respectively.

The federal statute of limitation remains open for the 2017 tax year to the present. The state income tax returns generally remain open for the 2016 tax year through the present. Net operating loss arising prior to these years are also open to examination if and when utilized.

**9. INVESTMENTS**

The Company holds investments in convertible notes which mature in August 2020, carry simple interest of 6.00% per annum and convert into a predetermined number of common shares. At March 31, 2020 and December 31, 2019, the fair value of these investments was \$7,533,000 at the end of each period. The Company also holds direct equity investments in cannabis companies. At March 31, 2020 and December 31, 2019, the fair value of these investments was \$6,320,213 and \$6,535,821, respectively.

The following table summarizes the change in the Company's investments as of March 31, 2020:

	Convertible Notes Receivable	Equity	Total
Balance at December 31, 2019	\$ 7,533,000	\$6,535,821	\$14,068,821
Fair value adjustment	—	(215,607)	(215,607)
Balance at March 31, 2020	<u>\$ 7,533,000</u>	<u>\$6,320,213</u>	<u>\$13,853,214</u>

The following table summarizes the change in the Company's investments as of December 31, 2019:

	Convertible Notes Receivable	Equity	Total
Balance at December 31, 2018	\$ 30,336,000	\$10,597,283	\$ 40,933,283
Fair value adjustment	(1,398,000)	(4,061,462)	(5,459,462)
Applied to consideration in business combination	(21,405,000)	—	(21,405,000)
Balance at December 31, 2019	<u>\$ 7,533,000</u>	<u>\$ 6,535,821</u>	<u>\$ 14,068,821</u>

The calculated fair values are recorded as a Level 3 fair value investment as of March 31, 2020 and December 31, 2019 (see Note 13 Financial Instrument and Financial Risk Management for additional details). The convertible notes receivable were valued using the Binomial Lattice Model, which is based on a generalized binomial option pricing formula, using the following assumptions:

	Three Months Ended March 31, 2020	Year Ended December 31, 2019
Risk free rate	1.58% - 2.46%	1.58% - 2.46%
Equity Volatility	58% - 106%	58% - 106%
Market Yield	15% - 18%	15% - 18%
Probability of Qualified Financing	0%	0%
Probability of Sale	30%	30%
Probability of No Event	70%	70%

**Green Thumb Industries Inc.**  
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**10. SHARE CAPITAL**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with Accounting Standards Codification (ASC) 740, Income Taxes.

**(a) Authorized**

The Company has the following classes of share capital, with each class having no par value:

**(i) Subordinate Voting Shares**

The holders of the Subordinate Voting Shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. All Subordinate Voting Shares are ranked equally with regard to the Company's residual assets. The Company is authorized to issue an unlimited number of no par value Subordinate Voting Shares. During the three months ending March 31, 2020, the shareholders of the Company converted 134,846 Multiple Voting Shares into 13,484,600 Subordinate Voting Shares and 11,475 Super Voting Shares into 1,147,500 Subordinate Voting Shares.

**(ii) Multiple Voting Shares**

Each Multiple Voting Share is entitled to one hundred votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares. At March 31, 2020, the Company has 238,504 issued and outstanding Multiple Voting Shares, which convert into 23,850,400 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Multiple Voting Shares. During the three months ending March 31, 2020, the shareholders of the Company converted 11,475 Super Voting Shares into 11,475 Multiple Voting Shares.

**(iii) Super Voting Shares**

Each Super Voting Share is entitled to one thousand votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares. At March 31, 2020, the Company has 390,814 issued and outstanding Super Voting Shares which convert into 39,081,400 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Super Voting Shares. During the three months ending March 31, 2020, the shareholders of the Company converted 11,475 Super Voting Shares into 11,475 Multiple Voting Shares.

**(b) Issued and Outstanding**

A reconciliation of the beginning and ending amounts of the issued and outstanding shares by class is as follows:

	<b>Issued and Outstanding</b>		
	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares
<b>As at December 31, 2019</b>	128,999,964	373,350	402,289
Issuance of shares under business combinations and investments	1,115,618	—	—
Issuances of shares upon vesting of RSUs	63,890	—	—
Exchange of shares	14,632,100	(134,846)	(11,475)
<b>As at March 31, 2020</b>	<b>144,811,572</b>	<b>238,504</b>	<b>390,814</b>

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**10. SHARE CAPITAL (Continued)**

**(c) Stock-Based Compensation**

The Company operates equity settled stock-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any stock-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled stock-based payments under stock-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for stock-based payments, in equity.

The Company recognizes compensation expense for Restricted Stock Units (“RSUs”) and options on a straight-line basis over the requisite service period of the award. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

In June 2018, the Company established the Green Thumb Industries Inc. 2018 Stock and Incentive Plan, which was amended by Amendment No. 1 thereto (as amended, the “Plan”). The maximum number of shares issued under the Plan shall not exceed 10% of the issued and outstanding shares.

Option and RSU grants generally vest over one to three years, and options typically have a life of five or ten years. Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of grant. Stock option activity is summarized as follows:

	Number of Shares	Weighted Average Exercise Price (C\$)	Weighted Average Contractual Life	Aggregate Intrinsic Value
Balance as at December 31, 2019	3,839,017	13.21	5.81	\$218,234
Granted	2,391,028	9.58	5.00	
Exercised	—	—	—	
Forfeited	(255,104)	14.89	5.01	
Balance as at March 31, 2020	5,974,938	11.69	5.52	
Vested	740,545	14.21	6.94	
Exercisable at March 31, 2020	—	—	—	\$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on March 31, 2020 and December 31, 2019, respectively, and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options on March 31, 2020 and December 31, 2019. This amount will change in future periods based on the fair market value of the Company’s stock and the number of options outstanding. There were no options exercised for the three months ending March 31, 2020 and the year ended December 31, 2019.

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**10. SHARE CAPITAL (Continued)**

**(c) Stock-Based Compensation (continued)**

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

Risk-free interest rate	0.75% - 2.33%
Expected dividend yield	0%
Expected volatility	80% - 100%
Expected option life	3 – 10 years

As the Company became publicly traded in June 2018, sufficient historical trading information was not available to determine an expected volatility rate. The volatility rate was based on comparable companies within the same industry. As permitted under ASC 718, the Company has made an accounting policy choice to account for forfeitures when they occur.

The following table summarizes the number of non-vested RSU awards as of March 31, 2020 and December 31, 2019 and the changes during the year ended December 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value (CS)
Non-vested RSUs at December 31, 2019	1,399,762	9.30
Granted	168,526	10.86
Forfeited	(26,500)	15.64
Vested	(63,890)	16.89
Non-vested RSUs at March 31, 2020	1,477,898	9.53

The stock-based compensation expense for the three months ended March 31, 2020 and 2019 was as follows:

	For the Three Months Ended March 31,	
	2020	2019
Stock Options Expense	\$ 2,691,157	\$ 4,258,467
RSUs	2,382,585	1,586,333
Total Stock-Based Compensation Expense	<u>\$ 5,073,742</u>	<u>\$ 5,844,800</u>

As of March 31, 2020, \$33,957,180 of total unrecognized expense related to Stock Based Compensation awards is expected to be recognized over a weighted-average period of 2.29 years.

**(d) Contingent Consideration**

During the three months ended March 31, 2020, the Company issued 1,067,168 Subordinate Voting Shares to the previous owners of certain entities in connection with acquisitions completed during 2019. Upon issuance, the Company recorded a reduction of \$8,967,257 to contingent consideration payable and a corresponding increase in share capital.

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**11. OTHER INCOME (EXPENSE)**

For the three months ended March 31, 2020 and 2019 other income (expense) was comprised of the following:

	<b>For the Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Fair value adjustments on equity investments	\$ (215,607)	\$ 602,964
Fair value adjustments on variable note receivable	(810,337)	4,109,794
Fair value adjustment on put and call options	—	409,847
Fair value adjustments on warrant liability	7,382,843	—
Fair value adjustments on contingent consideration	170,989	—
Other	258,222	134,048
<b>Total Other Income (Expense)</b>	<b>\$ 6,786,110</b>	<b>\$ 5,256,653</b>

**12. COMMITMENTS AND CONTINGENCIES**

The Company is subject to lawsuits, investigations and other claims related to employment, commercial and other matters that arise out of operations in the normal course of business. Periodically, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be reliably estimated, such amount is recognized in other liabilities.

Contingent liabilities are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records contingent liabilities for such contracts.

Contingent consideration is measured upon acquisition and is estimated using probability weighting of potential payouts. Subsequent changes in the estimated contingent consideration from the final purchase price allocation are recognized in the Company's consolidated statement of operations.

**(a) Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management believes that the Company is in compliance with applicable local and state regulations at March 31, 2020 and December 31, 2019, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

**(b) Claims and Litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2020 and December 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

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**12. COMMITMENTS AND CONTINGENCIES (Continued)**

**(c) Construction Commitments**

As of March 31, 2020, the Company held \$5,131,995 of open commitments to contractors on work being performed.

**13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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.

**Financial Instruments**

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 fair values of the Company's financial instruments associated with each of the three levels of the hierarchy are:

	As of March 31, 2020			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$71,521,954	\$ —	\$ —	\$ 71,521,954
Notes Receivable	—	—	5,600	5,600
Investments	—	—	13,853,214	13,853,214
Liability of Redemption of Noncontrolling Interest	—	—	(5,500,000)	(5,500,000)
Warrant Liability	—	—	(8,497,000)	(8,497,000)
Contingent Consideration Payable	—	—	(50,344,502)	(50,344,502)
	<u>\$71,521,954</u>	<u>\$ —</u>	<u>\$(50,482,688)</u>	<u>\$ 21,039,266</u>

**Green Thumb Industries Inc.**  
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**13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

	As of December 31, 2019			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$46,667,334	\$ —	\$ —	\$ 46,667,334
Notes Receivable	—	—	815,937	815,937
Investments	—	—	14,068,821	14,068,821
Liability of Redemption of Noncontrolling Interest	—	—	(5,500,000)	(5,500,000)
Warrant Liability	—	—	(15,879,843)	(15,879,843)
Contingent Consideration Payable	—	—	(58,936,739)	(58,936,739)
	<u>\$46,667,334</u>	<u>\$ —</u>	<u>\$(65,431,824)</u>	<u>\$(18,764,490)</u>

There have been no transfers between fair value levels during the periods ended March 31, 2020 and December 31, 2019.

**Financial Risk Management**

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

**(a) 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 March 31, 2020 and 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.

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. As of March 31, 2020, the Company had approximately \$794,000 of accounts receivable that were past due (greater than 90 days). Given management's expectation that any credit losses will be nominal, no provision is provided.

**(b) 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 effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity at all times to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 12, the Company has the following contractual obligations:

	<1 Year	1 to 3 Years	3 to 5 Years	>5 Years	Total
Accounts Payable and Accrued Liabilities	\$60,432,653	\$ —	\$ —	\$ —	\$ 60,432,653
Notes Payable	182,926	92,339,180	350,851	—	92,872,957
Construction Commitments	5,131,995	—	—	—	5,131,995
Contingent Consideration Payable	41,581,975	8,762,527	—	—	50,344,502
Operating Leases - Third Party	12,039,451	40,485,800	39,011,138	179,064,584	270,600,973
Operating Leases - Related Party	1,048,267	2,883,098	2,876,472	11,524,619	18,332,456

**Green Thumb Industries Inc.**  
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**13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Market and Interest Rate Risk**

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

**14. VARIABLE INTEREST ENTITIES**

The following table represents the summarized financial information about the Company's consolidated variable interest entities (VIEs) which are included in the consolidated balance sheets and statements of operation as of March 31, 2020 and December 31, 2019. All these entities were determined to be VIEs as the Company possesses the power to direct activities through management services agreements (MSAs).

	March 31, 2020			December 31, 2019		
	Chesapeake Alternatives, LLC	Illinois Disp, LLC	Other Non- material VIEs	Chesapeake Alternatives, LLC	Illinois Disp, LLC	Other Non- material VIEs
Current assets	\$ 22,278,800	\$2,343,228	\$1,710,495	\$ 19,455,533	\$1,381,716	\$1,352,935
Non-current assets	2,873,410	3,543,890	2,494,212	22,384,663	3,083,659	2,534,297
Current liabilities	16,105,824	884,356	1,146,023	14,219,204	149,498	783,682
Non-current liabilities	1,129,327	596,387	838,422	1,169,989	137,736	855,440
Noncontrolling interests	132,732	2,203,187	(109,709)	350,206	2,089,071	(22,488)
Equity attributable to Green Thumb Industries Inc.	7,784,327	2,203,187	2,329,971	6,645,263	2,089,070	2,270,598
Revenues	4,308,630	2,781,616	1,712,651	16,056,521	5,857,946	3,516,164
Net income (loss) attributable to noncontrolling interests	41,409	364,116	37,179	—	699,624	(112,245)
Net income (loss) attributable to Green Thumb Industries Inc.	1,139,063	364,117	59,373	1,807,229	699,625	(79,402)
Net income (loss)	<u>\$ 1,180,472</u>	<u>\$ 728,233</u>	<u>\$ 96,552</u>	<u>\$ 1,807,229</u>	<u>\$1,399,249</u>	<u>\$ (191,647)</u>

As of March 31, 2020 and December 31, 2019, VIEs included in the Other Non-material VIEs are Bluepoint Wellness of Westport LLC and Meshow, LLC.

During 2019, the Company acquired noncontrolling interests for Ohio Investors 2017, LLC; KW Ventures Holdings, LLC (Firefly); and GTI New Jersey, LLC. There have been no changes in ownership of any of the Companies VIEs since December 31, 2019.



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**15. SEGMENT REPORTING**

The Company operates in two segments: the cultivation, production and sale of cannabis products to retail stores (“Consumer Packaged Goods”), and retailing of cannabis to patients and consumers (“Retail”). The Company does not allocate operating expenses to these business units, nor does it allocate specific assets. Additionally, the Chief Operating Decision Maker does not review total assets or net income (loss) by segments; therefore, such information is not presented below.

The below table presents revenues by type for the three months ended March 31, 2020 and 2019:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>Revenues, Net of Discounts</i>		
Consumer Packaged Goods	\$ 46,322,028	\$13,494,740
Retail	75,961,450	16,117,365
Intersegment Eliminations	(19,680,876)	(1,698,942)
<b>Total Revenues, net of discounts</b>	<b><u>\$102,602,602</u></b>	<b><u>\$27,913,163</u></b>
<i>Depreciation and Amortization</i>		
Consumer Packaged Goods	\$ 10,508,491	\$ 2,997,866
Retail	797,278	390,735
Intersegment Eliminations	1,399,403	80,958
<b>Total Depreciation and Amortization</b>	<b><u>\$ 12,705,172</u></b>	<b><u>\$ 3,469,560</u></b>
<i>Income Taxes</i>		
Consumer Packaged Goods	\$ 4,227,000	\$ 228,000
Retail	8,922,000	1,480,000
Intersegment Eliminations	—	(472,000)
<b>Total Income Taxes</b>	<b><u>\$ 13,149,000</u></b>	<b><u>\$ 1,236,000</u></b>

Goodwill assigned to the Consumer Packaged Goods segment as of March 31, 2020 and December 31, 2019 was \$252,461,232 and \$255,211,232, respectively. Intangible assets, net assigned to the Consumer Packaged Goods segment as of March 31, 2020 and December 31, 2019 was \$223,605,116 and \$228,795,692, respectively.

Goodwill assigned to the Retail segment as of March 31, 2020 and December 31, 2019 was \$119,757,767 and \$119,873,759, respectively. Intangible assets, net assigned to the Retail segment as of March 31, 2020 and December 31, 2019 was \$202,723,615 and \$207,002,644, respectively.

The Company’s assets are aggregated into two reportable segments (Retail and Consumer Packaged Goods). For the purposes of testing goodwill, Green Thumb has identified 22 reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on the geographic areas in which Green Thumb 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. All revenues are derived from customers domiciled in the United States and all assets are located in the United States.