

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
As of March 31, 2021 and December 31, 2020
(Amounts Expressed in United States Dollars)

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u> <i>(Audited)</i>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 275,898,839	\$ 83,757,785
Accounts Receivable	18,232,710	21,414,987
Inventories	72,280,372	69,542,953
Prepaid Expenses	7,681,878	6,445,393
Other Current Assets	6,864,840	2,782,887
Total Current Assets	380,958,639	183,944,005
Property and Equipment, Net	201,069,010	189,925,877
Right of Use Assets, Net	144,119,418	140,382,781
Investments	29,066,003	40,794,806
Investment in Associate	12,943,056	12,669,963
Intangible Assets, Net	396,014,963	406,242,034
Goodwill	382,697,467	382,697,467
Deposits and Other Assets	2,255,466	1,892,229
TOTAL ASSETS	<u>\$1,549,124,022</u>	<u>\$1,358,549,162</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 9,313,021	\$ 20,503,572
Accrued Liabilities	53,638,305	56,288,729
Current Portion of Notes Payable	344,380	341,983
Current Portion of Lease Liabilities	5,087,512	3,862,110
Contingent Consideration Payable	9,900,000	22,150,000
Income Tax Payable	30,161,086	16,142,041
Total Current Liabilities	108,444,304	119,288,435
Long-Term Liabilities:		
Lease Liabilities, Net of Current Portion	150,679,584	146,426,760
Notes Payable, Net of Current Portion and Debt Discount	99,727,557	98,712,996
Contingent Consideration Payable	4,950,000	4,950,000
Warrant Liability	45,304,671	39,454,000
Deferred Income Taxes	37,248,013	35,557,630
TOTAL LIABILITIES	446,354,129	444,389,821
COMMITMENTS AND CONTINGENCIES		
SHARE HOLDERS' EQUITY		
Subordinate Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2021: Unlimited, 185,044,227, and 185,044,227, respectively, at December 31, 2020: Unlimited, 178,113,221, and 178,113,221, respectively)	—	—
Multiple Voting Shares (Shares Authorized, Issued and Outstanding at March 31 2021: Unlimited, 40,259 and 40,259, respectively, at December 31, 2020: Unlimited, 40,289 and 40,289, respectively)	—	—
Super Voting Shares (Shares Authorized, Issued and Outstanding at March 31, 2021: Unlimited, 301,031 and 301,031, respectively, at December 31, 2020: Unlimited, 312,031 and 312,031, respectively)	—	—
Share Capital	1,236,987,614	1,048,640,398
Contributed (Deficit) Surplus	(2,788,150)	4,893,153
Deferred Share Issuances	751,988	2,587,317
Accumulated Deficit	(135,129,957)	(145,498,623)
Equity of Green Thumb Industries Inc.	1,099,821,495	910,622,245
Noncontrolling interests	2,948,398	3,537,096
TOTAL SHAREHOLDERS' EQUITY	<u>1,102,769,893</u>	<u>914,159,341</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$1,549,124,022</u>	<u>\$1,358,549,162</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 Operations
Three Months Ended March 31, 2021 and 2020
(Amounts Expressed in United States Dollars, Except Share Amounts)

	Three Months Ended March 31,	
	2021	2020
Revenues, net of discounts	\$ 194,430,584	\$ 102,602,602
Cost of Goods Sold, net	(83,565,084)	(49,615,188)
Gross Profit	<u>110,865,500</u>	<u>52,987,414</u>
Expenses:		
Selling, General, and Administrative	59,331,251	45,434,757
Total Expenses	<u>59,331,251</u>	<u>45,434,757</u>
Income (Loss) From Operations	<u>51,534,249</u>	<u>7,552,657</u>
Other Income (Expense):		
Other Income (Expense), net	(5,149,817)	6,786,110
Interest Income, net	49,890	88,115
Interest Expense, net	(4,123,176)	(5,041,442)
Total Other Income (Expense)	<u>(9,223,103)</u>	<u>1,832,783</u>
Income (Loss) Before Provision for Income Taxes And Non-Controlling Interest	<u>42,311,146</u>	<u>9,385,440</u>
Provision For Income Taxes	<u>30,856,178</u>	<u>13,149,000</u>
Net Income (Loss) Before Non-Controlling Interest	11,454,968	(3,763,560)
Net Income Attributable to Non-Controlling Interest	1,086,302	442,704
Net Income (Loss) Attributable To Green Thumb Industries Inc.	<u>\$ 10,368,666</u>	<u>\$ (4,206,264)</u>
Net Income (Loss) per share - basic	<u>\$ 0.05</u>	<u>\$ (0.02)</u>
Net Income (Loss) per share - diluted	<u>\$ 0.05</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding - basic	<u>216,210,429</u>	<u>208,468,356</u>
Weighted average number of shares outstanding - diluted	<u>221,616,157</u>	<u>208,468,356</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, 2021 and 2020
(Amounts Expressed in United States Dollars)

	Share Capital	Contributed Surplus (Deficit)	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non- Controlling Interest	Total
Balance, January 1, 2020	\$ 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) income	—	—	—	(4,206,264)	442,704	(3,763,560)
Balance, March 21, 2020	<u>\$ 990,290,509</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>
Balance, January 1, 2021	\$1,048,640,398	\$ 4,893,153	\$ 2,587,317	\$ (145,498,623)	\$ 3,537,096	\$ 914,159,341
Issuance of shares under business combinations and investments	1,038,307	(38,307)	—	—	—	1,000,000
Shares issued as contingent consideration	12,672,681	—	—	—	—	12,672,681
Distribution of deferred shares	1,825,597	—	(1,835,329)	—	—	(9,732)
Issuance of registered shares pursuant to Form S-1	155,803,084	(304,944)	—	—	—	155,498,140
Exercise of options, RSUs and warrants	17,007,547	(11,368,707)	—	—	—	5,638,840
Stock-based compensation	—	4,030,655	—	—	—	4,030,655
Distributions to limited liability company unit holders	—	—	—	—	(1,675,000)	(1,675,000)
Net income	—	—	—	10,368,666	1,086,302	11,454,968
Balance, March 31, 2021	<u>\$1,236,987,614</u>	<u>\$ (2,788,150)</u>	<u>\$ 751,988</u>	<u>\$ (135,129,957)</u>	<u>\$ 2,948,398</u>	<u>\$1,102,769,893</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, 2021 and 2020
(Amounts Expressed in United States Dollars)

	Three Months Ended March 31,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss) attributable to Green Thumb Industries Inc.	\$ 10,368,666	\$ (4,206,264)
Net income attributable to non-controlling interest	1,086,302	442,704
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,993,421	12,705,172
Amortization of operating lease assets	7,751,299	4,257,515
Loss (gain) on disposal of property and equipment	45,946	(239,096)
Bad debt expense	(74,092)	315,261
Deferred income taxes	1,690,383	(424,000)
Stock-based compensation	4,030,655	5,073,742
(Increase) decrease in fair value of investments	(1,014,652)	274,592
Interest on contingent consideration payable and acquisition liabilities	—	546,009
Increase (decrease) in fair value of contingent consideration	412,949	(170,990)
Increase (decrease) in fair value of warrants	5,850,671	(7,382,843)
Decrease in fair value of note receivable	—	810,337
Amortization of debt discount	1,102,632	1,585,322
Changes in operating assets and liabilities:		
Accounts receivable	3,256,369	489,020
Inventories	(2,737,419)	(4,135,787)
Prepaid expenses and other current assets	(5,318,438)	(3,561,809)
Deposits and other assets	(363,237)	1,963,074
Accounts payable	(11,190,551)	7,955,363
Accrued liabilities	1,755,514	264,226
Operating lease liabilities	(6,009,710)	(3,086,451)
Income tax payable	14,019,045	13,573,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	39,655,753	27,048,097
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(19,421,367)	(13,246,608)
Proceeds from disposal of assets	60,000	11,799,025
Investments in securities	(6,002,302)	—
Proceeds from sale of investments	18,122,664	—
NET CASH USED IN INVESTING ACTIVITIES	(7,241,005)	(1,447,583)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from limited liability company unit holders	—	50,000
Distributions to third parties and limited liability company unit holders	(1,675,000)	(736,660)
Distributions from unconsolidated subsidiaries	350,000	—
Net proceeds from issuance of registered shares pursuant to Form S-1	155,498,140	—
Proceeds from exercise of options and warrants	5,638,840	—
Principal repayment of notes payable	(85,674)	(59,234)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	159,726,306	(745,894)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	192,141,054	24,854,620
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	83,757,785	46,667,334
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$275,898,839	\$ 71,521,954

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

Green Thumb Industries Inc.
Unaudited Interim Condensed Consolidated Statement of Cash Flows
Three Months Ended March 31, 2021 and 2020
(Amounts Expressed in United States Dollars)

	Three Months Ended March 31,	
	2021	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 3,183,099	\$ 2,910,111
NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	\$ (3,405,937)	\$ 6,966,907
Noncash increase in right of use asset	\$ (5,769,937)	\$(33,742,287)
Noncash increase in lease liability	\$ 5,769,937	\$ 33,742,287
Issuance of shares under acquisition agreement	\$ 13,672,681	\$ 8,967,257
Deferred share issuances	\$ 1,835,329	\$ 400,143
Issuance of shares under business combinations	\$ —	\$ 6,062
Acquisitions		
Goodwill	\$ —	\$ (2,865,992)
Deposits and other assets	—	1,015,020
Liabilities assumed	—	(302,604)
Equity interests issued	—	503,389
Acquisition liability	—	(228,813)
Deferred income taxes	—	1,879,000
	<u>\$ —</u>	<u>\$ —</u>
RECONCILIATION OF CASH, AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	\$275,898,839	\$ 64,613,618
Restricted cash	—	6,908,336
TOTAL CASH, AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$275,898,839</u>	<u>\$ 71,521,954</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

(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, incredibles, Rythm and The Feel Collection, 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 named Rise™ and in the Las Vegas, Nevada and Pasadena, California areas, a chain of retail cannabis stores named Essence as well as retail stores operating under other names, all of which sell our products and third-party products. As of March 31, 2021, Green Thumb has revenue in twelve markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio, and Pennsylvania).

In addition to the states listed above, the Company also conducts pre-licensing activities in other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses.

The Company’s registered office is located at 250 Howe Street, 20th Floor, Vancouver, British Columbia, V6C 3R8. The Company’s U.S. headquarters are at 325 W. Huron St., Suite 700, Chicago, IL 60654.

(b) Basis of Presentation

The accompanying unaudited interim 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 financial statements and accompanying notes included in the 2020 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 interim condensed consolidated 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, 2021 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2021.

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 (Continued)

(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 2020 annual report on Form 10-K.

(d) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated using the treasury stock method, by dividing the net earnings (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 calculation. Diluted earnings per share is calculated using the treasury stock method 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. As of March 31, 2021, the Company had 5,299,440 options, 592,535 restricted stock units and 2,294,523 warrants outstanding. As of March 31, 2020, the Company had 5,974,938 options, 1,477,898 restricted stock units and 2,387,470 warrants outstanding.

In order to determine diluted earnings per share, it is assumed that any proceeds from the exercise of dilutive unvested restricted stock units, stock options, and warrants would be used to repurchase common shares at the average market price during the period. Under the treasury stock method, the diluted earnings per share calculation excludes any potential conversion of stock options and convertible debt that would increase earnings per share or decrease loss per share. For the three months ended March 31, 2021, the computation of diluted earnings per share included 3,702,372 options, 431,220 restricted stock units and 1,272,136 warrants. No potentially dilutive common share equivalents were included in the computation of diluted loss per share for the three months ended March 31, 2020 because their impact was anti-dilutive.

(e) Recently Adopted Accounting Standards

- (i) 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"). ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 on January 1, 2021. The adoption of the standard did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.
- (ii) 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. The Company adopted ASU 2020-01 on January 1, 2021. The adoption of the standard did not have a material impact on the Company's 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 (Continued)

(f) Recently Issued Accounting Standards

- (i) On August 5, 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity, to improve financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. We do not expect the adoption of this guidance will have a material impact on the Company’s unaudited interim condensed consolidated financial statements.

(g) Coronavirus Pandemic

In March 2020, the World Health Organization categorized coronavirus disease 2019 (“**COVID-19**” together with its variants) 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 continues to implement and evaluate 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 assets 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 the Company’s lease and non-lease contract expenses; and measurement of compensation cost for bonus and other compensation plans. While the Company’s revenue, gross profit and operating income were not impacted during the first three months of 2021, the uncertain nature of the spread of COVID-19 and the uncertainty of the impact of nationwide vaccine programs may impact the Company’s business operations for reasons including the potential quarantine of the Company’s employees or those of its supply chain partners, and the Company’s continued designation as an “essential” business in states where the Company does business that currently or in the future impose restrictions on its business operations.

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, 2021 and December 31, 2020:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Raw Material	\$ 6,867,319	\$ 6,372,659
Packaging and Miscellaneous	6,916,026	8,592,153
Work in Process	28,887,069	25,488,806
Finished Goods	31,367,676	30,821,392
Reserve for Obsolete Inventory	<u>(1,757,718)</u>	<u>(1,732,057)</u>
Total Inventories	<u>\$72,280,372</u>	<u>\$69,542,953</u>

3. PROPERTY AND EQUIPMENT

At March 31, 2021 and December 31, 2020, property and equipment consisted of the following:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Buildings and Improvements	\$ 51,351,319	\$ 51,557,405
Equipment, Computers and Furniture	52,368,921	49,097,109
Leasehold Improvements	94,713,052	88,607,252
Capitalized Interest	<u>3,151,236</u>	<u>2,988,681</u>
Total Property and Equipment	201,584,528	192,250,447
Less: Accumulated Depreciation	<u>(28,075,122)</u>	<u>(24,192,900)</u>
Property and Equipment, net	173,509,406	168,057,547
Land	3,389,376	2,879,376
Assets Under Construction	<u>24,170,228</u>	<u>18,988,954</u>
Property and Equipment, net	<u>\$201,069,010</u>	<u>\$189,925,877</u>

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, 2021 and 2020 totaled \$4,766,350 and \$3,787,005, respectively of which \$2,869,229 and \$2,677,727, respectively, is included in cost of goods sold.

Green Thumb Industries Inc.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
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4. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

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 their estimated useful lives. 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, 2021 and December 31, 2020, intangible assets consisted of the following:

	March 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Licenses and Permits	\$343,135,736	\$48,295,200	\$294,840,536	\$343,135,736	\$41,993,595	\$301,142,141
Tradenames	99,295,599	16,376,274	82,919,325	99,295,599	13,455,178	85,840,421
Customer Relationships	25,258,000	8,455,792	16,802,208	25,258,000	7,583,005	17,674,995
Non-Competition Agreements	2,585,480	1,132,586	1,452,894	2,585,480	1,001,003	1,584,477
Total Intangible Assets	<u>\$470,274,815</u>	<u>\$74,259,852</u>	<u>\$396,014,963</u>	<u>\$470,274,815</u>	<u>\$64,032,781</u>	<u>\$406,242,034</u>

The Company recorded amortization expense for the three months ended March 31, 2021 and 2020 of \$10,227,071 and \$8,918,167, respectively.

The following table outlines the estimated annual amortization expense related to intangible assets as of March 31, 2021:

Year Ending December 31,	Estimated Amortization (Prior to Change in Useful Life)
Remainder of 2021	\$ 29,035,583
2022	38,683,555
2023	38,680,777
2024	38,099,444
2025	38,001,777
Thereafter	213,513,827
	<u>\$ 396,014,963</u>

Goodwill

At March 31, 2021 and December 31, 2020 the balances of goodwill, by segment, consisted of the following:

	March 31, 2021	December 31, 2020
Retail	\$130,680,935	\$130,680,935
Consumer Package Goods	252,016,532	252,016,532
Total Goodwill	<u>\$382,697,467</u>	<u>\$382,697,467</u>

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

5. INVESTMENTS

As of March 31, 2021 and December 31, 2020, the Company held various equity interests in privately held cannabis companies as well as investments in convertible notes which had a combined fair value of \$29,066,003 and \$40,794,806 as of each period end, respectively. The Company measures its investments that do not have readily determinable fair value, at cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company performs an assessment on a quarterly basis to determine whether triggering events for impairment exist and to identify any observable price changes.

The following table summarizes the change in the Company's investments during the three months ending March 31, 2021 and year ending December 31, 2020:

	March 31, 2021	December 31, 2020
Beginning Balance	\$ 40,794,806	\$14,068,821
Additions	6,002,302	525,000
Disposals	(18,122,664)	(169,818)
Fair value adjustments	391,559	26,370,803
Ending Balance	<u>\$ 29,066,003</u>	<u>\$40,794,806</u>

On January 15, 2021, the Company sold approximately half of its equity interest in a privately held entity for \$18,112,500 in cash. As of March 31, 2021 and December 31, 2020, the fair value of this equity interest was \$19,136,689 and \$37,249,189, respectively.

6. LEASES

(a) Operating Leases

The Company has operating leases for certain Rise, Essence and other retail dispensaries as well as many of the Company's processing and cultivation facilities located throughout the US. Additionally, the Company has an operating lease for corporate office space in Illinois. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date.

All real estate leases are recorded on the balance sheet. Equipment and other non-real estate leases with an initial term of twelve months or less are not recorded on the balance sheet. Lease agreements for some locations provide for rent escalations and renewal options. Certain real estate leases require payment for taxes, insurance and maintenance which are considered non-lease components. The Company accounts for real estate leases and the related fixed non-lease components together as a single component.

The Company determines if an arrangement is a lease at inception. The Company must consider whether the contract conveys the right to control the use of an identified asset. Certain arrangements require significant judgment to determine if an asset is specified in the contract and if the Company directs how and for what purpose the asset is used during the term of the contract. For the three months ended March 31, 2021 and 2020 the Company recorded operating lease expense of \$7,751,299 and \$4,257,515, respectively.

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6. LEASES (Continued)

(a) Operating Leases

Other information related to operating leases as of and for the three months ending March 31, 2021 and year ending December 31, 2020 were as follows:

	<u>As of March 31, 2021</u>	<u>As of December 31, 2020</u>
Weighted average remaining lease term (years)	13.31	12.10
Weighted average discount rate	14.0%	13.7%

Maturities of lease liabilities for operating leases as of March 31, 2021 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 2021	\$ 19,315,251	\$ 984,896	\$ 20,300,147
2022	26,749,723	1,337,130	28,086,853
2023	26,615,165	1,367,771	27,982,936
2024	26,122,891	1,255,714	27,378,605
2025	24,099,497	1,182,489	25,281,986
2026 and Thereafter	<u>248,109,371</u>	<u>9,162,841</u>	<u>257,272,212</u>
Total Lease Payments	371,011,898	15,290,841	386,302,739
Less: Interest	<u>(223,197,788)</u>	<u>(7,337,855)</u>	<u>(230,535,643)</u>
Present Value of Lease Liability	<u>\$ 147,814,110</u>	<u>\$ 7,952,986</u>	<u>\$ 155,767,096</u>

(b) Related Party Operating Leases

The Company entered into related party transactions with respect to its leasing arrangements for certain facilities in Florida, Maryland, Massachusetts and Nevada. Wendy Berger, a director of the Company, is a principal of WBS Equities, LLC, which is the Manager of Mosaic Real Estate, LLC, and owns certain facilities leased by the Company. 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 Anthony 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, 2021 and 2020, the Company recorded lease expense of \$295,203 and \$222,339, respectively, associated with these leasing arrangements.

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7. NOTES PAYABLE

At March 31, 2021 and December 31, 2020, notes payable consisted of the following:

	March 31, 2021	December 31, 2020
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%.	\$ 671,328	\$ 717,430
Private placement debt dated May 22, 2019, in the original amount of \$105,466,429 with an interest rate of 12.00%, matures on May 22, 2023. The debt was issued at a discount, the carrying value of which is \$9,411,725 and \$10,511,335 as of March 31, 2021 and December 31, 2020, respectively.	96,054,704	94,955,094
Rise Joliet mortgage dated June 5, 2020, in the original amount of \$1,814,000 with an interest rate of 5.00%, matures on June 5, 2035. The debt was issued at a discount, the carrying value of which is \$171,201 and \$174,222, and is presented net of principal payments of \$61,964 and \$40,806 as of March 31, 2021 and December 31, 2020, respectively.	1,580,835	1,598,972
Rise Lakewood mortgage dated August 20, 2020, in the original amount of \$833,000 with an interest rate of 7.25%, matures on August 20, 2025, and is presented net of principal payments of \$17,682 and \$9,524 as of March 31, 2021 and December 31, 2020, respectively.	815,318	823,483
Rise Mundelein mortgage dated December 6, 2020, in the original amount of \$960,000 with an interest rate of 6.95%, matures on December 06, 2025, and is presented net of principal payments of \$10,248 and \$0 as of March 31, 2021 and December 31, 2020, respectively.	949,752	960,000
Total notes payable	100,071,937	99,054,979
Less: current portion of notes payable	(344,380)	(341,983)
Notes payable, net of current portion	<u>\$ 99,727,557</u>	<u>\$98,712,996</u>

(a) Related Parties

The private placement debt is held by related parties as well as unrelated third-party lenders at a percentage of approximately 1% and 99%, respectively. The related parties consist of Benjamin Kovler, the Chief Executive Officer and a director of the Company (through KP Capital, LLC); Andrew Grossman, the Executive Vice President of Capital Markets of the Company (through AG Funding Group, LLC); Anthony Georgiadis, the Chief Financial Officer and a director of the Corporation (through Three One Four Holdings, LLC); and Anthony Georgiadis and William Gruver, a director of the Corporation (through ABG, LLC).

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8. WARRANTS

As part of the Company's private placement financing and Mortgage on the Joliet, Illinois dispensary, the Company issued warrants to related parties, as well as un-related third parties, which allow the holders to purchase Subordinate Voting Shares at an exercise price determined at the time of issuance.

The following table summarizes the number warrants outstanding as of March 31, 2021 and December 31, 2020:

	Number of Shares	Weighted Average Exercise Price (C\$)	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price (USD)	Weighted Average Contractual Life
	Liability Classified			Equity Classified		
Balance as at December 31, 2020	2,485,794	C\$18.45	3.40	35,000	\$ 9.10	4.43
Warrants Exercised	(226,271)	18.01	3.26	—	—	—
Balance as at March 31, 2021	<u>2,259,523</u>	<u>C\$18.18</u>	<u>3.14</u>	<u>35,000</u>	<u>\$ 9.10</u>	<u>4.18</u>

(a) Liability Classified Warrants Outstanding

The following table summarizes the fair value of the liability classified warrants at March 31, 2021 and December 31, 2020:

<i>Warrant Liability</i>	Strike Price	March 31, 2021		December 31, 2020	
		Warrants Outstanding	Fair Value	Warrants Outstanding	Fair Value
Bridge Financing Warrants	C\$22.90	218,964	\$ 3,385,500	218,964	\$ 2,544,500
Private Placement Financing Warrants	C\$19.39	1,641,301	32,858,000	1,822,771	28,756,500
Modification Warrants	C\$12.04	323,910	7,389,782	360,256	6,630,000
Additional Modification Warrants	C\$14.03	75,348	1,671,389	83,803	1,523,000
Totals		<u>2,259,523</u>	<u>\$45,304,671</u>	<u>2,485,794</u>	<u>\$39,454,000</u>

During the three months ended March 31, 2021 and 2020, the Company recorded a loss of \$5,850,671 and a gain of \$7,382,843, respectively, on the change in the fair value of the warrant liability within other income (expense) on the unaudited interim condensed consolidated statements of operations.

The following table summarizes the significant assumptions used in determining the fair value of the warrant liability as of each reporting date (see Note 13 - Fair Value Measurements for additional details):

<i>Significant Assumptions</i>	March 31, 2021	December 31, 2020
Volatility	73.80% - 79.62%	72.19% - 79.1%
Remaining Term	1.53 - 4.14 years	1.78 - 4.39 years
Risk Free Rate	0.22% - 0.78%	0.20% - 0.28%

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8. WARRANTS (Continued)

(b) Equity Classified Warrants Outstanding

The following table summarizes the fair value of the equity classified warrants at March 31, 2021 and December 31, 2020:

<u>Warrants Included in Contributed Surplus (Deficit)</u>	<u>Strike Price</u>	<u>March 31, 2021</u>		<u>December 31, 2020</u>	
		<u>Warrants Outstanding</u>	<u>Balance</u>	<u>Warrants Outstanding</u>	<u>Balance</u>
Dispensary Mortgage Warrants	\$9.10	35,000	\$181,272	35,000	\$181,272

The equity warrants were valued at the date of issuance using a volatility rate of 80%, a term of 5 years and a risk free rate of 0.37%.

9. SHARE CAPITAL

Common shares, which include the Company's Subordinate Voting Shares, Multiple Voting Shares and Super Voting 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 meetings of the Company's shareholders. 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, 2021, the shareholders of the Company converted 30 Multiple Voting Shares into 3,000 Subordinate Voting Shares and 11,000 Super Voting Shares into 1,100,000 Subordinate Voting Shares.

(ii) Multiple Voting Shares

Each Multiple Voting Share is entitled to 100 votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares. At March 31, 2021, the Company had 40,259 issued and outstanding Multiple Voting Shares, which convert into 4,025,900 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Multiple Voting Shares. During the three months ending March 31, 2021, the shareholders of the Company converted 30 Multiple Voting Shares into 3,000 Subordinate Voting Shares.

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9. SHARE CAPITAL (Continued)

(a) Authorized (continued)

(iii) Super Voting Shares

Each Super Voting Share is entitled to 1,000 votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares or one Multiple Voting Share. At March 31, 2021, the Company had 301,031 issued and outstanding Super Voting Shares which convert into 30,103,100 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Super Voting Shares. During the three months ending March 31, 2021, the shareholders of the Company converted 11,000 Super Voting Shares into 1,100,000 Subordinate 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:

	Issued and Outstanding		
	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares
As at December 31, 2020	178,113,221	40,289	312,031
Issuance of shares under business combinations and investments	30,414	—	—
Distribution of contingent consideration	412,744	—	—
Distribution of deferred shares	146,315	—	—
Issuance of registered shares pursuant to S-1	4,693,991	—	—
Issuance of shares upon exercise of options and warrants	449,665	—	—
Issuances of shares upon vesting of RSUs	94,877	—	—
Exchange of shares	1,103,000	(30)	(11,000)
As at March 31, 2021	185,044,227	40,259	301,031

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9. SHARE CAPITAL (Continued)

(i) Issuance of Shares Under Business Combinations and Investments

GTI New Jersey, LLC

In connection with the Company's April 23, 2019 acquisition of the non-controlling interest in GTI New Jersey, LLC, the Company agreed to award the previous minority shareholders of the entity up to \$3,000,000 in Subordinate Voting Shares. On May 7, 2020, the Company received approval from the New Jersey Department of Health to begin buildout of an additional retail dispensary. As of that date, the Company recorded a current obligation of \$2,000,000 representing the maximum value of the shares to be issuable to the former minority shareholders of GTI New Jersey, LLC. On March 15, 2021, one of the retail dispensaries, located in Paramus, New Jersey, was successfully opened. As a result, the Company issued 30,414 Subordinate Voting Shares to the former minority shareholders of GTI New Jersey, LLC. The shares had a fair value of \$1,038,307 on the date of issuance. As of March 31, 2021, and December 31, 2020, the Company carried an obligation of \$1,000,000 and \$2,000,000, respectively, associated with the retail dispensary agreement with the former minority shareholders of GTI New Jersey, LLC.

(ii) Distribution of Contingent Consideration

Integral Associates, LLC

In connection with the Company's 2019 acquisition of Integral Associates, LLC, the purchase agreement included contingent consideration which was dependent upon the awarding of conditional and final dispensary operating licenses. On March 22, 2021, the Company issued 412,744 Subordinate Voting Shares to the former owners of Integral Associates, LLC in connection with the awarding of a final retail dispensary license located in Pasadena, California. The shares had a fair value of \$12,672,681 at the date of issuance and resulted in a loss of \$8,172,681 which was recorded in other income (expense) in the unaudited interim condensed consolidated statement of operations. In addition, the Company determined that there is a remote likelihood that the Company will obtain retail dispensary operating licenses in either West Hollywood or Culver City, California, under commercially reasonable terms. Consequently, the Company remeasured the contingent liability associated with these milestones which resulted in a reduction to the contingent liability of \$7,750,000 with a corresponding reduction to other income (expense) in the unaudited interim condensed consolidated statement of operations.

As of March 31, 2021 and December 31, 2020, the estimated fair value of the contingent consideration associated with the acquisition of Integral Associates, LLC, which was valued using a probability weighting of the potential payouts, was \$14,850,000 and \$27,100,000, respectively of which \$4,950,000, in each period, was recorded as a non-current liability.

(iii) Distribution of Deferred Shares

For Success Holding Company

As part of the consideration exchanged in the Company's 2019 acquisitions, Subordinate Voting Shares are held back or deferred until a specific date post acquisition. The deferred shares are issued to the former owners of the acquired entity upon the passage of twelve to twenty-four months from the close of each transaction as defined within each respective acquisition agreement. On February 22, 2021, the Company issued 146,315 Subordinate Voting Shares with a value of \$1,825,597 in connection with the Company's 2019 acquisition of For Success Holding Company. The issuance represented the final payout to the former owners of For Success Holding Company and resulted in the cancellation of 780 shares valued at \$9,732 representing certain reimbursable costs incurred by the Company.

(iv) Issuance of Registered Shares Pursuant to S-1

On February 8, 2021, the SEC declared effective, the Company's Registration Statement No. 333-248213 on Form S-1 filed on February 2, 2021. Shortly thereafter, the Company received an offer from a single institutional investor to purchase 3,122,073 of the Subordinate Voting Shares registered on the Form S-1 at a price of \$32.03 per share for a total of \$100,000,030. The transaction closed on February 9, 2021. On February 23, 2021, the Company accepted additional offers to purchase a total of 1,571,917 Subordinate Voting Shares at a price of \$35.50 per share, for a total of \$55,803,054. The Company intends to use the net proceeds from the sale of securities for general corporate purposes, which may include capital expenditures, working capital and general and administrative expenses. The Company may also use a portion of the net proceeds to acquire or invest in business and products that are complimentary to the Company's own business and products. Additionally, the Company incurred legal, audit and other professional fees of \$304,944 associated the issuance of the registered shares. Such fees have been recorded within contributed surplus (deficit) within the Company's unaudited interim condensed consolidated statement of shareholders' equity.

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9. 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 measures 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 payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to equity.

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 Restricted Stock Units (“RSUs”) and options issued under the Plan shall not exceed 10% of the issued and outstanding shares on an as-converted basis.

The Company recognizes compensation expense for 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 with no adjustment to prior periods for expense previously recognized.

Option and RSU grants generally vest over three years, and options typically have a life of five or ten years. Option grants are determined by the Compensation Committee of the Company’s Board of Directors 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 (CS)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as at December 31, 2020	5,664,406	11.91	4.39	\$ 85,408,034
Granted	43,968	32.74		
Exercised	(223,394)	14.04		
Forfeited	(185,540)	10.68		
Balance as at March 31, 2021	5,299,440	12.03	3.97	\$106,221,476
Vested	1,749,365	13.37		
Exercisable at March 31, 2021	2,122,671	12.15	4.20	\$ 42,431,312

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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020. This amount will change in future periods based on the fair market value of the Company’s Subordinate Voting Shares and the number of options outstanding.

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9. SHARE CAPITAL *(Continued)*

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

The following table summarizes the weighted average grant date fair value and intrinsic value of options exercised for the three months ended March 31, 2021 and 2020:

	For the Three Months Ended	
	March 31,	
	2021	2020
Weighted average grant date fair value (per share) of stock option units granted (C\$)	C\$ 13.06	C\$ 4.37
Intrinsic value of stock option units exercised, using market price at vest date (USD)	\$ 4,573,378	\$ —

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted during the three months ended March 31, 2021 and the year ended December 31, 2020, using the following ranges of assumptions:

	March 31, 2021	December 31, 2020
Risk-free interest rate	0.33% - 0.74%	0.31% - 1.37%
Expected dividend yield	0%	0%
Expected volatility	73%	80%
Expected option life	3 – 3.5 years	3-5 years

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, 2021 and December 31, 2020 and the changes during the three months ended March 31, 2021:

	Number of Shares	Weighted Average Grant Date Fair Value (C\$)
Nonvested Shares at December 31, 2020	689,340	16.77
Granted	16,739	39.63
Forfeited	(18,667)	16.48
Vested	(94,877)	18.35
Nonvested Shares at March 31, 2021	592,535	17.19

The following table summarizes the weighted average grant date fair value and total fair value of RSUs vested for the three months ended March 31, 2021 and 2020:

	For the Three Months Ended	
	March 31,	
	2021	2020
Weighted average grant date fair value (per share) of granted (C\$)	C\$ 39.63	C\$ 10.86
Intrinsic value of RSUs vested, using market price at vest date (USD)	\$ 3,105,640	\$ 511,150

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9. SHARE CAPITAL *(Continued)*

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

The stock-based compensation expense for the three months ended March 31, 2021 and 2020 was as followed:

	For the Three Months Ended March 31,	
	2021	2020
Stock Options Expense	\$2,628,858	\$2,691,157
RSUs	1,401,797	2,382,585
Total Stock-Based Compensation Expense	\$4,030,655	\$5,073,742

As of March 31, 2021, \$19,996,039 of total unrecognized expense related to stock-based compensation awards is expected to be recognized over a weighted-average period of 1.59 years.

10. INCOME TAXES

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2021 and 2020:

	For the Three Months Ended March 31,	
	2021	2020
Income before Income Taxes	\$42,311,146	\$ 9,385,440
Income Tax Expense	30,856,178	13,149,000
Effective Tax Rate	72.9%	140.1%

The Company has computed its provision for income taxes under the discrete method which treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. We believe that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as the estimated annual effective tax rate method is not reliable due to the high degree of uncertainty in estimating annual pre-tax income due to the early growth stage of the business.

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, 2021 varies widely from the three month ended March 31, 2020, primarily due to the reduction in non deductible expenses as a proportion of total expenses in the current year. This variation also includes a change in methodology from an annualized effective tax rate method for the three months ended March 31, 2020 compared to the discrete method for the period ending March 31, 2021 described above. The Company incurs expenses that are not deductible due to IRC Section 280E limitations which results in significant income tax expense.

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 approximately \$38.6 million and \$4.3 million as of March 31, 2021 and 2020, respectively, recorded within Deferred Income Taxes.

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10. INCOME TAXES *(Continued)*

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 losses arising prior to these years are also open to examination if and when utilized.

Taxes paid during the three months ended March 31, 2021 and 2020 were \$15,146,750 and \$0, respectively.

11. OTHER INCOME (EXPENSE)

For the three months ended March 31, 2021 and 2020 other income (expense) was comprised of the following:

	Three Months Ended	
	March 31,	
	2021	2020
Fair value adjustments on equity investments	\$ 391,559	\$ (215,607)
Fair value adjustments on variable note receivable	—	(810,337)
Fair value adjustment on warrants issued	(5,850,671)	7,382,843
Fair value adjustments on contingent consideration	(412,949)	170,990
Equity earnings in joint ventures	623,093	250,000
Other	99,151	8,221
Total Other Income (Expense)	<u>\$(5,149,817)</u>	<u>\$6,786,110</u>

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 contingent liabilities for 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 unaudited interim condensed consolidated statement of operations.

(a) Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, 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, 2021 and December 31, 2020, cannabis and other 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.

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12. COMMITMENTS AND CONTINGENCIES *(Continued)*

(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, 2021 and December 31, 2020, 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.

(c) Construction Commitments

As of March 31, 2021, the Company held approximately \$11,745,258 of open construction commitments to contractors on work being performed.

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13. FAIR VALUE MEASUREMENTS

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, 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, 2021			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$275,898,839	\$ —	\$ —	\$275,898,839
Investments	1,181,146	—	27,884,857	29,066,003
Contingent Consideration Payable	—	—	(14,850,000)	(14,850,000)
Warrant Liability	—	—	(45,304,671)	(45,304,671)
	<u>\$277,079,985</u>	<u>\$ —</u>	<u>\$(32,269,814)</u>	<u>\$244,810,171</u>

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$83,757,785	\$ —	\$ —	\$ 83,757,785
Investments	923,581	—	39,871,225	40,794,806
Contingent Consideration Payable	—	—	(27,100,000)	(27,100,000)
Warrant Liability	—	—	(39,454,000)	(39,454,000)
	<u>\$84,681,366</u>	<u>\$ —</u>	<u>\$(26,682,775)</u>	<u>\$ 57,998,591</u>

Green Thumb Industries Inc.
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14. VARIABLE INTEREST ENTITIES

The following table presents the summarized financial information about the Company's consolidated variable interest entities ("VIEs") which are included in the unaudited interim condensed consolidated balance sheet as of March 31, 2021 and the consolidated balance sheet as of December 31, 2020. All of these entities were determined to be VIEs as the Company possesses the power to direct activities through management services agreements ("MSAs").:

	March 31, 2021		December 31, 2020		
	IL Disp, LLC	Other Non-material VIEs	Chesapeake Alternatives, LLC	IL Disp, LLC	Other Non-material VIEs
Current assets	\$3,453,766	\$2,411,739	\$32,307,718	\$3,738,868	\$2,362,572
Non-current assets	3,566,193	2,210,239	3,367,360	3,657,392	2,281,839
Current liabilities	1,156,208	1,142,340	23,362,255	336,970	1,563,224
Non-current liabilities	450,291	762,865	768,573	461,926	783,356
Noncontrolling interests	2,581,731	270,544	—	3,173,683	267,289
Equity attributable to Green Thumb Industries Inc.	2,581,731	2,446,229	11,544,250	3,173,683	2,030,542

On December 31, 2020, the MSA for Chesapeake Alternatives, LLC was amended and restated to make GTI Maryland, LLC, the sole member of the entity. As a result, the remaining equity associated with the noncontrolling interest was closed to share capital of Green Thumb as of December 31, 2020.

The Following tables presents the summarized financial information about the Company's VIEs which are included in the unaudited interim condensed consolidated statements of operations for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,				
	2021		2020		
	IL Disp, LLC	Other Non-material VIEs	Chesapeake Alternatives, LLC	IL Disp, LLC	Other Non-material VIEs
Revenues	\$5,727,274	\$3,311,283	\$4,308,630	\$2,781,616	\$1,712,651
Net income (loss) attributable to noncontrolling interests	783,048	303,255	41,409	364,116	37,179
Net income (loss) attributable to Green Thumb Industries Inc.	783,047	415,688	1,139,063	364,117	59,373
Net income (loss)	<u>\$1,566,095</u>	<u>\$ 718,943</u>	<u>\$1,180,472</u>	<u>\$ 728,233</u>	<u>\$ 96,552</u>

As of March 31, 2021 and 2020, and December 31, 2020, VIEs included in the Other Non-material VIEs are Bluepoint Wellness of Westport LLC and Meshow, LLC.

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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, 2021 and 2020:

	Three Months Ended	
	March 31,	
	2021	2020
<i>Revenues, Net of Discounts</i>		
Consumer Packaged Goods	\$104,077,438	\$ 46,322,028
Retail	130,108,718	75,961,450
Intersegment Eliminations	(39,755,572)	(19,680,876)
Total Revenues, net of discounts	<u>\$194,430,584</u>	<u>\$102,602,602</u>
Depreciation and Amortization		
Consumer Packaged Goods	\$ 8,000,947	\$ 7,594,366
Retail	6,992,474	5,110,806
Intersegment Eliminations	—	—
Total Depreciation and Amortization	<u>\$ 14,993,421</u>	<u>\$ 12,705,172</u>
Income Taxes		
Consumer Packaged Goods	\$ 17,287,094	\$ 4,227,000
Retail	13,569,084	8,922,000
Intersegment Eliminations and Corporate	—	—
Total Income Taxes	<u>\$ 30,856,178</u>	<u>\$ 13,149,000</u>

Goodwill assigned to the Consumer Packaged Goods segment as of March 31, 2021 and December 31, 2020 was \$252,016,532 at each period end. Intangible assets, net assigned to the Consumer Packaged Goods segment as of March 31, 2021 and December 31, 2020 was \$206,620,582 and \$211,303,718, respectively.

Goodwill assigned to the Retail segment as of March 31, 2021 and December 31, 2020 was \$130,680,935 at each period end. Intangible assets, net assigned to the Retail segment as of March 31, 2021 and December 31, 2020 was \$189,394,381 and \$194,938,316, 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 determined 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.

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16. SUBSEQUENT EVENTS

On April 30, 2021, the Company closed on a \$216,734,258 Senior Secured non-brokered private placement financing through the issuance of senior secured notes (the "Notes"). The Company used the proceeds to retire the Company's existing \$105,466,429, senior secured note due May 2023 and the remaining proceeds for general working capital purposes as well as various growth initiatives. The Notes have a maturity date of April 30, 2024 and will bear interest from the date of issue at 7% per annum, payable quarterly, with an option, at the discretion of the Company, to extend an additional 12 months. The financing permits the Company to borrow an additional \$33,265,741 over the next twelve months. The purchasers of the Notes also received 1,459,044 warrants (the "Warrants") which allows the holder to purchase one Subordinate Voting Share of Green Thumb at an exercise price of \$32.68 per share, for a period of 60 months from the date of issue.

Certain related parties participated in the financing, purchasing an aggregate of approximately US \$3 million of notes.