Green Thumb Industries Inc.
Consolidated Balance Sheets
As of December 31, 2021 and December 31, 2020
(Amounts Expressed in Thousands of United States Dollars, Except Share Amounts)

	December 31, 2021	December 31, 2020
	(in thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 230,420	$ 83,758
Accounts Receivable	22,099	21,415
Inventories	95,471	69,543
Prepaid Expenses	11,175	6,445
Other Current Assets	5,065	2,783
Total Current Assets	364,230	183,944
Property and Equipment, Net	409,074	189,926
Right of Use Assets, Net	176,327	140,383
Investments	94,902	40,795
Investment in Associate	30,337	12,670
Intangible Assets, Net	675,491	406,242
Goodwill	632,849	382,697
Deposits and Other Assets	2,641	1,892
TOTAL ASSETS	$ 2,385,851	$ 1,358,549
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 14,086	$ 20,504
Accrued Liabilities	84,724	46,652
Acquisition Consideration Payable	31,732	—
Compensation Payable	12,022	9,637
Current Portion of Notes Payable	783	342
Current Portion of Lease Liabilities	9,221	3,862
Contingent Consideration Payable	50,284	22,150
Income Tax Payable	1,527	16,142
Total Current Liabilities	204,379	119,289
Long-Term Liabilities:		
Lease Liabilities, Net of Current Portion	182,539	146,427
Notes Payable, Net of Current Portion and Debt Discount	239,151	98,713
Contingent Consideration Payable	33,581	4,950
Warrant Liability	24,877	39,454
Deferred Income Taxes	81,846	35,558
TOTAL LIABILITIES	766,373	444,391
COMMITMENTS AND CONTINGENCIES		
SHARE HOLDERS' EQUITY		
Subordinate Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2021: Unlimited, 201,768,312, and 201,768,312, respectively, at December 31, 2020: Unlimited, 178,113,221, and 178,113,221, respectively)	—	—
Multiple Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2021: Unlimited, 38,531 and 38,531, respectively, at December 31, 2020: Unlimited, 40,289 and 40,289, respectively)	—	—
Super Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2021: Unlimited, 285,031 and 285,031, respectively, at December 31, 2020: Unlimited, 312,031 and 312,031, respectively)	—	—
Share Capital	1,633,672	1,048,640
Contributed Surplus	21,245	4,893
Deferred Share Issuances	36,262	2,587
Accumulated Deficit	(70,063)	(145,499)
Equity of Green Thumb Industries Inc.	1,621,116	910,621
Noncontrolling interests	(1,638)	3,537
TOTAL SHAREHOLDERS' EQUITY	1,619,478	914,158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,385,851	$ 1,358,549

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

Green Thumb Industries Inc.
Consolidated Statements of Operations
Years Ended December 31, 2021, 2020 and 2019
(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Years Ended December 31,		
	2021	**2020**	**2019**
		(in thousands)	
Revenues, net of discounts	$ 893,560	$ 556,573	$ 216,433
Cost of Goods Sold, net	(401,631)	(252,404)	(109,402)
Gross Profit	491,929	304,169	107,031
Expenses:			
Selling, General, and Administrative	277,087	198,062	134,721
Total Expenses	277,087	198,062	134,721
Income From Operations	214,842	106,107	(27,690)
Other Income (Expense):			
Other Income (Expense), net	10,677	15,377	(10,319)
Interest Income, net	1,432	114	1,466
Interest Expense, net	(21,976)	(18,667)	(13,659)
Total Other Income (Expense)	(9,867)	(3,176)	(22,512)
Income (Loss) Before Provision for Income Taxes And Non-Controlling Interest	204,975	102,931	(50,202)
Provision For Income Taxes	124,612	83,853	9,344
Net Income (Loss) Before Non-Controlling Interest	80,363	19,078	(59,546)
Net Income (Loss) Attributable to Non-Controlling Interest	4,927	4,085	(430)
Net Income (Loss) Attributable To Green Thumb Industries Inc.	$ 75,436	$ 14,993	$ (59,116)
Net Income (Loss) per share - basic	$ 0.34	$ 0.07	$ (0.31)
Net Income (Loss) per share - diluted	$ 0.33	$ 0.07	$ (0.31)
Weighted average number of shares outstanding - basic	223,192,326	210,988,259	190,602,400
Weighted average number of shares outstanding - diluted	226,758,882	212,531,188	190,602,400

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

Green Thumb Industries Inc.
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2021, 2020 and 2019
(Amounts Expressed in Thousands of United States Dollars)

	Share Capital	Shares to Be Issued	Contributed Surplus (Deficit)	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Balance, January 1, 2019	$ 397,590	$ 27,773	$ 14,203	$ —	$ (100,878)	$ 3,497	$ 342,185
Adoption of ASC 842, *Leases*	—	—	—	—	(498)	—	(498)
Noncontrolling interests adjustment for change in ownership	22,461	(27,773)	(1,129)	—	—	5,312	(1,129)
Contributions from limited liability company unit holders	—	—	—	—	—	1,650	1,650
Issuance of shares under business combinations and investments	530,698	—	(23,698)	—	—	—	507,000
Deferred share issuances	—	—	—	16,587	—	—	16,587
Issuance of shares for redemption of noncontrolling interests	29,889	—	(4,469)	—	—	—	25,420
Stock-based compensation	—	—	18,285	—	—	—	18,285
Shares issued in consideration of professional fees	—	—	229	—	—	—	229
Exercise of broker options	—	—	665	—	—	—	665
Shares withheld in lieu of cash	—	—	(125)	—	—	—	(125)
Distributions to limited liability company unit holders	—	—	—	—	—	(7,516)	(7,516)
Net loss	—	—	—	—	(59,116)	(430)	(59,546)
Balance, December 31, 2019	$ 980,638	$ —	$ 3,961	$ 16,587	$ (160,492)	$ 2,513	$ 843,207
Balance, January 1, 2020	$ 980,638	$ —	$ 3,961	$ 16,587	$ (160,492)	$ 2,513	$ 843,207
Noncontrolling interests adjustment for change in ownership	322	—	—	—	—	(322)	—
Contributions from limited liability company unit holders	—	—	—	—	—	50	50
Issuance of shares under business combinations and investments	27,223	—	(17,407)	—	—	—	9,816
Contingent consideration, and other adjustments to purchase accounting	22,886		—	—	—	—	22,886
Issuance of deferred shares	—	—	—	752	—	—	752
Distribution of deferred shares	14,752	—	—	(14,752)	—	—	—
Issuance of warrants	—	—	181	—	—	—	181
Exercise of options and warrants	2,819		(1,179)	—	—	—	1,640
Stock-based compensation	—	—	19,337	—	—	—	19,337
Distributions to third party and limited liability company unit holders	—	—	—	—	—	(2,789)	(2,789)
Net income	—	—	—	—	14,993	4,085	19,078
Balance, December 31, 2020	$ 1,048,640	$ —	$ 4,893	$ 2,587	$ (145,499)	$ 3,537	$ 914,158

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

Green Thumb Industries Inc.
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2021, 2020 and 2019
(Amounts Expressed in Thousands of United States Dollars)

	Share Capital	Shares to Be Issued	Contributed Surplus (Deficit)	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Balance, January 1, 2021	$ 1,048,640	$ —	$ 4,893	$ 2,587	$ (145,499)	$ 3,537	$ 914,158
Issuance of shares for redemption of noncontrolling interest	4,070	—	(4,996)	—	—	926	—
Issuance of shares under business combinations and investments	343,281	—	22	—	—	—	343,303
Shares issued as contingent consideration	23,818	—	9,654	—	—	—	33,472
Issuance of deferred shares	—	—	—	37,565	—	—	37,565
Distribution of deferred shares	3,896	—	—	(3,890)	—	—	6
Issuance of registered shares pursuant to Form S-1	155,803	—	(305)	—	—	—	155,498
Exercise of options, RSUs and warrants	46,758	—	(32,498)	—	—	—	14,260
Warrants and shares issued in association with notes payable	271	—	24,875	—	—	—	25,146
Shares issued for settlement of business dispute	7,135		—	—	—	—	7,135
Stock-based compensation	—	—	19,600	—	—	—	19,600
Distributions to limited liability company unit holders	—	—	—	—	—	(11,028)	(11,028)
Net income	—	—	—	—	75,436	4,927	80,363
Balance, December 31, 2021	$ 1,633,672	$ —	$ 21,245	$ 36,262	$ (70,063)	$ (1,638)	$ 1,619,478

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

Green Thumb Industries Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2021, 2020 and 2019
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31,		
	2021	2020	2019
		(in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income (loss) attributable to Green Thumb Industries Inc.	$ 75,436	$ 14,993	$ (59,116)
Net income (loss) attributable to non-controlling interest	4,927	4,085	(430)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	68,458	52,506	31,482
Amortization of operating lease assets	34,124	26,287	7,291
Loss on extinguishment of debt	10,645	—	—
Loss on disposal of property and equipment	314	31	—
Impairment of long-lived fixed assets	4,744	—	—
(Earnings) loss from equity method investments	(1,799)	(2,320)	56
Bad debt expense	488	367	—
Deferred income taxes	(4,763)	2,095	(13,681)
Stock-based compensation	19,600	19,337	18,285
(Increase) decrease in fair value of investments	(6,377)	(26,371)	5,586
Interest on contingent consideration payable and acquisition liabilities	2,965	1,235	3,909
Decrease in fair value of contingent consideration	(11,238)	(9,877)	—
(Decrease) increase in fair value of warrants	(14,577)	23,002	(4,160)
Shares issued for settlement of business dispute	7,135	—	—
Decrease in fair value of note receivable	—	816	6,609
Amortization of debt discount	7,235	5,159	5,178
Changes in operating assets and liabilities:			
Accounts receivable	(646)	(14,252)	(792)
Inventories	(16,439)	(23,377)	(19,929)
Prepaid expenses and other current assets	(4,863)	230	(5,657)
Deposits and other assets	(749)	756	(307)
Accounts payable	(9,525)	11,674	(1,398)
Accrued liabilities	10,165	18,684	10,367
Operating lease liabilities	(28,597)	(17,682)	(6,488)
Income tax payable	(14,615)	8,540	5,048
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**132,048**	**95,918**	**(18,014)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(187,850)	(59,797)	(88,557)
Proceeds from disposal of assets	109	11,799	20,326
Purchase of investments	(79,050)	(525)	—
Proceeds from sale of investments	18,417	170	—
Repayment of note receivable	—	—	3,000
Purchase of businesses, net of cash acquired	(32,356)	(8,921)	(109,440)
NET CASH USED IN INVESTING ACTIVITIES	**(280,730)**	**(57,274)**	**(174,671)**
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from unconsolidated affiliates and limited liability company unit holders	1,675	50	1,650
Distributions to third parties and limited liability company unit holders	(11,028)	(2,789)	(7,516)
Net proceeds from issuance of registered shares pursuant to Form S-1	155,498	—	—
Proceeds from exercise of options and warrants	14,260	1,640	540
Proceeds from issuance of notes payable	208,700	—	117,436
Principal repayment of notes payable	(70,507)	(304)	(18,744)
Purchase of noncontrolling interest	—	(150)	—
Prepayment penalty and other costs associated with refinancing	(3,254)	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**295,344**	**(1,553)**	**93,366**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:			
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	146,662	37,091	(99,319)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF PERIOD	83,758	46,667	145,986
CASH, CASH EQUIVALENTS AND RESTRICTED CASH END OF PERIOD	**$ 230,420**	**$ 83,758**	**$ 46,667**

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

Green Thumb Industries Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2021, 2020 and 2019
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31,		
	2021	**2020**	**2019**
		(in thousands)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 15,311	$ 12,762	$ 5,019
NONCASH INVESTING AND FINANCING ACTIVITIES			
Accrued capital expenditures	$ 22,096	$ (2,029)	$ 14,950
Noncash increase in right of use asset	$ (27,035)	$ (79,085)	$ (63,477)
Noncash increase in lease liability	$ 27,035	$ 79,085	$ 63,975
Net liability upon adoption of ASC 842, *Leases*	$ —	$ —	$ (498)
Exercise of put options	$ —	$ —	$ (1,129)
Warrant issuance associated with note payable	$ 25,145	$ 754	$ 20,040
Mortgages associated with properties purchased	$ 6,830	$ 3,607	$ —
Liability for purchase of noncontrolling interest	$ —	$ (5,350)	$ (25,420)
Liability associated with acquisition agreement	$ —	$ 2,000	$ —
Shares issued for purchase of noncontrolling interest	$ 4,070	$ —	$ —
Issuance of contingent consideration	$ 33,472	$ 22,486	$ 10,999
Deferred share issuances	$ 37,565	$ 752	$ 16,588
Deferred share distributions	$ (3,890)	$ (14,752)	$ —
Issuance of shares under business combinations	$ 343,303	$ 4,619	$ 495,738
Acquisitions			
Inventories	$ 9,489	$ 131	$ 13,747
Accounts receivable	527	—	2,164
Prepaid assets	1,117	17	531
Property and equipment	30,789	264	16,629
Investments	—	—	9,900
Right of use assets	19,003	119	7,462
Identifiable intangible assets	314,457	6,182	377,164
Goodwill	250,152	7,612	331,208
Deposits and other assets	1,031	611	1,172
Liabilities assumed	(13,692)	(1,520)	(9,729)
Lease liabilities	(19,003)	(119)	(7,462)
Notes Payable	(5,627)	—	—
Contingent liabilities	(98,500)	—	(56,992)
Equity interests issued	(374,244)	(5,097)	(495,806)
Conversion of note receivable previously issued	—	—	(27,122)
Cash consideration payable	(32,092)	—	(17,379)
Deferred income taxes	(51,051)	720	(36,046)
	$ 32,356	$ 8,920	$ 109,441

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

1. NATURE OF OPERATIONS

Green Thumb Industries Inc. ("Green Thumb" or the "Company"), a national cannabis consumer packaged goods company and retailer, promotes well-being through the power of cannabis 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, Doctor Solomon's, Good Green, incredibles, and RYTHM, 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 named Rise, which sell our products and third-party products. As of December 31, 2021, Green Thumb has revenue in fifteen markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, and Minnesota), employs approximately 3,700 people and serves millions of patients and customers annually.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation and Statement of Compliance

The consolidated financial statements as of December 31, 2021, 2020 and 2019 (the "Consolidated Financial Statements"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

During the preparation of the December 31, 2021 consolidated financial statements, the Company became aware of a classification error in relation to a contingent consideration arrangement requiring settlement in Subordinate Voting Shares of Green Thumb. The contingent considerations arrangement was associated with the Company's 2019 acquisition of Integral Associates, LLC ("Integral") and was originally classified as a liability, whereas it should have been classified as equity in accordance with ASC 815 Derivatives and Hedging. The balance sheet only error resulted in an overstatement of current contingent liabilities and non-current contingent liabilities of $22,150 thousand and $4,950 thousand, respectively and a corresponding understatement of contributed surplus of $27,100 thousand for the year ended December 31, 2020 and an overstatement of current contingent liabilities of $32,182 thousand and a corresponding understatement of contributed surplus for the year ended December 31, 2019. The error was corrected with a reclassification of $27,100 thousand in the December 31, 2021 balance sheet and was not considered material to any prior period, including the Company's quarterly unaudited interim condensed consolidated financial statements.

During the year ended December 31, 2021, the Company issued 681,364 Subordinate Voting Shares to the former owners of Integral in connection with the awarding of two final retail dispensary licenses. The shares had a combined fair value $17,869 thousand, which was recorded in share capital on the consolidated balance sheet. As of December 31, 2021, the carrying value of the equity classified contingent consideration was $9,654 thousand.

Certain previously reported amounts have been reclassified between line items to conform to the current period presentation.

(b) Basis of Measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

(c) Functional and Presentation Currency

The Company's functional currency, as determined by management, is the United States ("US") dollar. These consolidated financial statements are presented in U.S. dollars.

(d) Basis of Consolidation

The consolidated financial statements for the years ended December 31, 2021, 2020 and 2019 include the accounts of the Company, its wholly-owned subsidiaries, its partially-owned subsidiaries, and those controlled by the Company by virtue of agreements, on a consolidated basis after elimination of intercompany transactions and balances.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation (Continued)

Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee, and when the Company has the ability to affect those returns through its power over the investee. The financial statements of entities controlled by the Company by virtue of agreements are fully consolidated from the date that control commences and deconsolidated from the date control ceases.

The following are the Company's wholly owned subsidiaries that are included in these consolidated financial statements as of and for the years ended December 31, 2021 and 2020:

Subsidiaries	Jurisdiction	Interest
GTI23, Inc.	Delaware	100%
VCP23, LLC	Delaware	100%
GTI Core, LLC	Delaware	100%

(Amounts Expressed in Thousands of United States Dollars, Except Where Stated Otherwise)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation (Continued)

The following are VCP23, LLC's and GTI Core, LLC's wholly owned subsidiaries and entities over which the Company has control, that are included in these consolidated financial statements for the year ended December 31, 2021:

Subsidiaries	Ownership	Jurisdiction	Purpose
JB17, LLC	100%	Maryland	Management company
GTI-Clinic Illinois Holdings, LLC	100%	Illinois	License holder
IL Disp, LLC	50%	Illinois	License holder
RISE Holdings, Inc.	100%	Massachusetts	License holder
Liberty Compassion Inc.	100%	Massachusetts	License holder
GTI Maryland, LLC	100%	Maryland	License holder
Ohio Investors 2017, LLC	100%	Ohio	Holding Company
GTI Ohio, LLC	100%	Ohio	License holder
GTI Nevada, LLC	100%	Nevada	License holder
GTI Pennsylvania, LLC	100%	Pennsylvania	License holder
GTI Florida, LLC	100%	Florida	Holding company
KSGNF, LLC	100%	Florida	License holder
GTI New Jersey, LLC	100%	New Jersey	License holder
KW Ventures Holdings, LLC	100%	Pennsylvania	License holder
Chesapeake Alternatives, LLC	100%	Maryland	License holder
Meshow, LLC	100%	Maryland	License holder
Maryland Health and Wellness Center, Inc.	0%	Maryland	License holder
Advanced Grow Labs, LLC	100%	Connecticut	License holder
Bluepoint Wellness of Westport, LLC	46%	Connecticut	License holder
Bluepoint Apothecary, LLC	100%	Connecticut	License holder
Southern CT Wellness and Healing	100%	Connecticut	License Holder
Integral Associates, LLC	100%	Nevada	License holder
Integral Associates CA, LLC	100%	California	License holder
Fiorello Pharmaceuticals, Inc.	100%	New York	License holder
Dharma Pharmaceuticals, LLC	100%	Virginia	License holder
Summit Medical Compassion Center, Inc.	0%	Rhode Island	License holder
LeafLine Industries, LLC	100%	Minnesota	License holder
MC Brands, LLC	100%	Colorado	Intellectual property
For Success Holding Company	100%	California	Intellectual property
VCP IP Holdings, LLC	100%	Delaware	Intellectual property
Vision Management Services, LLC	100%	Delaware	Management company
TWD18, LLC	100%	Delaware	Investment company
VCP Real Estate Holdings, LLC	100%	Delaware	Real Estate holding company

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment in Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal or value in use) and charged to the consolidated statement of operations. If the financial statements of an associate are prepared on a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of these consolidated financial statements.

(f) Non-controlling Interests

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction by transaction basis. Green Thumb elected to measure each NCI at its proportionate share of the recognized amounts of the acquiree's identifiable net assets. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, with original maturities of three months or less, and cash held at retail locations.

(h) Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. The Company estimates the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of its customers and individual customer circumstances. For the years ended December 31, 2021 and 2020 the Company recorded approximately $643 thousand and $223 thousand, respectively, in allowance for doubtful accounts. During the years ended December 31, 2021, 2020 and 2019, the Company recorded bad debt expense of $488 thousand, $367 thousand and $162 thousand, respectively.

(i) Inventories

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value.

Costs incurred during the growing and production process are capitalized as incurred to the extent that cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the growing and production processes.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property and Equipment

Property and equipment are stated at cost, including capitalized borrowing costs, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Land Improvements	10 – 30 Years
Buildings and Improvements	39 Years
Furniture and Fixtures	5 – 7 Years
Computer Equipment and Software	5 Years
Leasehold Improvements	Remaining Life of Lease
Production and Processing Equipment	5 – 7 Years
Assets Under Construction	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

The Company evaluates the recoverability of other long-lived assets, including property, plant and equipment, and certain identifiable intangible assets, whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company performs impairment tests of indefinite-lived intangible assets on an annual basis or more frequently in certain circumstances. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the overall business, a significant decrease in the market value of the assets or significant negative industry or economic trends. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. During the year ended December 31, 2021, the Company recorded an impairment charge of $4,744 thousand within Selling, General, and Administrative on the consolidated statement of operations. No impairment charges were recorded during the years ended December 31, 2020 and 2019.

(k) Note Receivable and Investments

Convertible notes investments and investments in equity of private companies are classified as financial assets at fair value through profit or loss. Upon initial recognition, the investment is recognized at fair value with directly attributable transaction costs expensed as incurred. Subsequent changes in fair value are recognized in profit or loss.

(Amounts Expressed in Thousands of United States Dollars, Except Where Stated Otherwise)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 periods of assets with finite lives are based on management's estimates at the date of acquisition and were as follows for each class of intangible asset as of December 31, 2021:

Licenses and Permits	7-15 years
Tradenames	3-15 years
Customer Relationships	3-7 years
Non-competition Agreement	2-5 years

Intangible assets with finite lives are amortized 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.

(m) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company reviews indefinite-lived intangible assets, which includes goodwill, annually, as of September 30, for impairment or more frequently if events or circumstances indicate that the carrying value may not be recoverable. An impaired asset is written down to its estimated fair value based on the most recent information available.

The Company applies the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2011-08 "Intangibles-Goodwill and Other-Testing Goodwill for Impairment," which provides entities with an option to perform a qualitative assessment (commonly referred to as "Step Zero") to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing Step Zero for the Company's goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company's business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

During the years ended December 31, 2021 and 2020, the Company performed the Step Zero analysis for its goodwill impairment test. As a result of the Company's Step Zero analysis, no further quantitative impairment test was deemed necessary. There were no impairments of goodwill or intangible assets with indefinite lives for the years ended December 31, 2021, 2020, or 2019.

(n) Income Taxes

Deferred taxes are provided using an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax assets and liabilities are measured using the enacted taxes rates. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that enactment occurs. As discussed further in Note 12—Income Taxes, the Company is subject to the limitations of Internal Revenue Code of 1986, as amended ("IRC") Section 280E.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue Recognition

Revenue is recognized by the Company in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under ASU 2014-09, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues consist of Consumer Packaged Goods and Retail sales of cannabis, which are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of sales discounts. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. During the years ended December 31, 2021, 2020 and 2019, sales discounts totaled $83,851 thousand, $48,442 thousand and $16,089 thousand, respectively.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

For some of its locations, the Company offers a loyalty reward program to its dispensary customers. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. As of December 31, 2021 and 2020, the loyalty liability totaled $3,986 thousand and $2,877 thousand, respectively, and is included in accrued liabilities on the consolidated balance sheets.

(p) Stock-Based Payments

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 contributed surplus, 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 period if share options ultimately exercised are different to that estimated on vesting.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Fair Value of Financial Instruments

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.

For further details, see Note 15—Fair Value Measurements.

(r) 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.

(s) Share Capital

Common Shares are classified as equity (the Company's Super Voting Shares, Multiple Voting Shares and Subordinate Voting Shares are all considered Common Shares). 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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 basic earnings (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: RSUs, stock options and warrants. As of December 31, 2021, the Company had 5,383,275 options, 376,127 RSUs and 3,835,278 warrants outstanding. As of December 31, 2020, the Company had 5,664,406 options, 689,340 RSUs and 2,520,794 warrants outstanding. As of December 31, 2019, the Company had 3,839,017 options, 1,399,762 RSUs and 2,406,811 warrants outstanding.

In order to determine diluted earnings per share, it is assumed that any proceeds from the exercise of dilutive unvested RSUs, 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 year ended December 31, 2021, the computation of diluted earnings per share included 2,323,625 options, 200,732 RSUs and 1,042,199 warrants. For the year ended December 31, 2020, the computation of diluted earnings per share included 1,307,421 options, 134,254 RSUs and 101,254 warrants. No potentially dilutive Common Share equivalents were included in the computation of diluted loss per share for the year ended December 31, 2019 because their impact was anti-dilutive. For the years ended December 31, 2021 and 2020, the weighted average number of anti-dilutive stock options excluded from the computation of diluted earnings per share were 626,930 and 580,672, respectfully.

(u) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations immediately as a gain or loss on acquisition.

Contingent consideration is measured upon acquisition and is estimated using probability weighting of potential payouts. Contingent consideration classified as a liability requires remeasurement at each period-end, with adjustments to the fair value of the liability recorded within selling, general and administrative expenses. Equity classified contingent consideration is measured as of the date of acquisition and assessed at each period-end to determine whether equity classification remains appropriate.

(v) Foreign Currency

Assets and liabilities denominated in currencies other than Green Thumb's functional currency are initially measured in the functional currencies at the transaction date exchange rate. Monetary assets are remeasured at the rate of exchange in effect as of the balance sheet date. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive income (loss) for the period. During the years ended December 31, 2021, 2020 and 2019, there were no significant transactions in currencies other than US Dollars.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Impairment of Other Long-Lived Assets

The Company evaluates the recoverability of other long-lived assets, including property, plant and equipment, and certain identifiable intangible assets, whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company performs impairment tests of indefinite-lived intangible assets on an annual basis or more frequently in certain circumstances. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the overall business, a significant decrease in the market value of the assets or significant negative industry or economic trends.

When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value.

During the year ended December 31, 2021, the Company recorded an impairment charge associated with long-lived fixed assets of $4,744 thousand within selling, general, and administrative expenses on the consolidated statement of operations. No such impairment charges were recorded during the years ended December 31, 2020 or 2019.

(x) Significant Accounting Judgments, Estimates and Assumptions

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

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

(i) Estimated Useful Lives and Amortization of Intangible Assets (Also see Note 6—Intangible Asset and Goodwill)

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.

(ii) Business Combinations

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

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. See Note 5 — Acquisitions for details.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Significant Accounting Judgments, Estimates and Assumptions (Continued)

(iii) Inventories

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

(iv) Investments in Private Holdings

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

(v) Goodwill Impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. As described in Notes 2(l) and 2(m), the Company applies the guidance in ASU 2011-08 "Intangibles-Goodwill and Other-Testing Goodwill for Impairment," which provides entities with an option to perform a qualitative assessment (commonly referred to as "Step Zero") to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing Step Zero for the Company's goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company's business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

During the years ended December 31, 2021 and 2020, the Company performed the Step Zero analysis for its goodwill impairment test. As a result of the Company's Step Zero analysis, no further quantitative impairment test was deemed necessary. There were no impairments of goodwill or intangible assets with indefinite lives for the years ended December 31, 2021, 2020 or 2019.

(vi) Determination of Reporting Units

The Company's assets are aggregated into two reportable segments (Retail and Consumer Packaged Goods which is commonly referred to as "CPG"). For the purposes of testing goodwill, Green Thumb has identified a total of 30 reporting units. The Company analyzed it's 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 CPG) which were primarily determined based on the licenses each market holds. The following represent the reporting units to which Green Thumb has assigned or allocated goodwill to as of December 31, 2021: California CPG, Connecticut Retail and CPG, Florida Retail and CPG, Illinois Retail, Massachusetts Retail and CPG, Minnesota Retail and CPG, Nevada Retail and CPG, New York Retail and CPG, Rhode Island Retail and CPG and Virginia Retail and CPG.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Significant Accounting Judgments, Estimates and Assumptions (Continued)

(vii) Consolidation

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

(viii) Allowance for Uncollectible Accounts

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

(ix) Stock-Based Payments

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

(x) Fair Value of Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) New and Revised 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 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 consolidated financial statements.

(iii) 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 consolidated financial statements.

(z) Coronavirus Pandemic

In March 2020, the World Health Organization categorized coronavirus disease 2019 (together with its variants, "COVID-19") as a global 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 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 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; 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 2021, it remains uncertain of how the future spread of COVID-19 and applicable vaccine mandates or public health measures 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.

3. INVENTORIES

The Company's inventories include the following at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
	(in thousands)	
Raw Material	$ 5,278	$ 6,373
Packaging and Miscellaneous	8,622	8,592
Work in Process	42,403	25,489
Finished Goods	41,069	30,821
Reserve for Obsolete Inventory	(1,901)	(1,732)
Total Inventories	**$ 95,471**	**$ 69,543**

4. PROPERTY AND EQUIPMENT

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

	December 31, 2021	December 31, 2020
	(in thousands)	
Buildings and Improvements	$ 101,283	$ 51,557
Equipment, Computers and Furniture	83,281	49,097
Leasehold Improvements	114,303	88,607
Land Improvements	607	—
Capitalized Interest	6,523	2,989
Total Property and Equipment	**305,997**	**192,250**
Less: Accumulated Depreciation	(45,198)	(24,193)
Property and Equipment, net	**260,799**	**168,057**
Land	20,258	2,879
Assets Under Construction	128,017	18,990
Property and equipment, net	**$ 409,074**	**$ 189,926**

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 years ended December 31, 2021, 2020 and 2019 totaled $23,250 thousand, $15,479 thousand and $6,828 thousand, respectively of which $14,301 thousand, $8,283 thousand and $4,247 thousand, respectively, is included in cost of goods sold.

On March 6, 2020, the Company closed a sale and lease back transaction to sell its Oglesby, Illinois cultivation and processing facility to Innovative Industrial Properties ("IIP"). Under the long-term agreement, the Company leased back the facility and continues to operate and manage it. As a result of the sale, the Company disposed of $775 thousand of land, $4,507 thousand of buildings and improvements and $3,814 thousand of construction in progress. The Company recognized a gain on the sale of Oglesby facility of $239 thousand which was recorded within other income (expense) within the consolidated statement of operations.

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

5. ACQUISITIONS

The Company has determined that the below acquisitions are business combinations under ASC 805, *Business Combinations.* They are accounted for by applying the acquisition method, whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these consolidated financial statements from the date of the acquisition. Supplemental pro forma financial information has not been presented as the impact was not material to the Company's consolidated financial statements. The goodwill recorded primarily includes the expected synergies resulting from combining the operations of the acquired entity with those of the Company.

(a) 2021 Business Acquisitions

The Company completed preliminary allocations of the purchase price of the assets acquired and liabilities assumed for LeafLine Industries, LLC ("LeafLine"), Summit Medical Compassion Center, Inc., GreenStar Herbals Inc. ("GreenStar") and MDHWC Management Corp. The preliminary valuations were based on management's estimates and assumptions which are subject to change within the purchase price allocation period (generally one year from the acquisition date). Other Acquisitions consist of Liberty Compassion Inc., GreenStar and MDHWC Management Corp. The details of the transactions are discussed below. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of the tangible and intangible assets acquired and the residual goodwill. The following table summarizes the initial accounting estimates:

	LeafLine Industries, LLC	Dharma Pharmaceuticals, LLC	Summit Medical Compassion Center, Inc.	Other Acquisitions
	(in thousands)			
Cash	$ 959	$ 150	$ 1,143	$ 754
Inventory	3,079	508	1,829	4,073
Accounts receivable	31	9	1	486
Prepaid expenses	705	72	105	235
Property and equipment, net	14,525	1,983	3,243	11,038
Right-of-use asset, net	594	4,219	210	13,980
Deposits and other assets	127	252	68	584
Intangible assets, net:				
Licenses and permits	88,000	87,000	57,000	79,784
Liabilities assumed	(2,121)	(157)	(4,407)	(7,007)
Lease liabilities	(594)	(4,219)	(210)	(13,980)
Notes payable	(5,627)	—	—	—
Deferred income tax liabilities	—	(23,490)	(14,939)	(21,185)
Total identifiable net assets	99,678	66,327	44,043	68,762
Goodwill (non-tax deductible)	—	76,145	65,231	63,127
Goodwill (tax deductible)	56,886	—	—	—
Net assets	**$ 156,564**	**$ 142,472**	**$ 109,274**	**$ 131,889**

As part of the initial purchase accounting for each of the above acquisitions, the Company recorded intangible assets of $311,784 thousand all of which was associated with licenses and permits that allow for the processing, cultivation and retail sale of cannabis. The weighted-average amortization period for the licenses intangibles was 15 years. Acquisition related expenses incurred during the year ended December 31, 2021 were approximately $2,036 thousand and were recorded within selling, general and administrative expenses.

(i) Acquisition of Liberty Compassion Inc.

On June 1, 2021, the Company acquired 100% of the ownership interests of Liberty Compassion Inc. ("Liberty"), a Massachusetts-based medical cannabis cultivator and retailer, for the purposes of expanding the Company's operational capacity in the Massachusetts market. The acquisition was an all stock transaction whereby consideration was satisfied through the issuance of 2,146,565 Subordinate Voting Shares (including 259,765 deferred shares) valued at approximately $64,585 thousand. The fair value of the securities was based upon the closing price of Green Thumb's Subordinate Voting Shares as traded on the Canadian Securities Exchange ("CSE") on the date of the transaction.

5. ACQUISITIONS *(Continued)*

(a) 2021 Business Acquisitions (Continued)

(ii) Acquisition of Dharma Pharmaceuticals, LLC

On July 1, 2021 Green Thumb acquired 100% of Dharma Pharmaceuticals, LLC (“Dharma”), a Virginia-based medical cannabis cultivator, processor and retailer, for the purpose of expanding Green Thumb's national presence. Green Thumb exchanged $15,175 thousand in cash and issued 2,298,779 Subordinate Voting Shares (including 229,878 deferred shares) valued at approximately $75,897 thousand, based on the fair value of the securities as traded on the CSE on the date of the transaction. The purchase agreement included additional consideration of up to $65,000 thousand in shares of Green Thumb depending upon the successful opening of up to five retail dispensaries in the Virginia area within the first three years following the signing of the purchase agreement and the legal sale of adult use cannabis in a retail dispensary by January 1, 2025.

On August 16, 2021, the Company issued 199,993 Subordinate Voting Shares to the former owners of Dharma in connection with the successful opening of one retail dispensary in Virginia. The shares had a fair value of $5,949 thousand at the date of issuance. As of December 31, 2021, the estimated value of the contingent consideration associated with the acquisition of Dharma, which was valued based on a probability weighting of the potential payments, was $48,665 thousand of which $20,884 thousand was included as a current liability on the Company's consolidated balance sheets.

(iii) Acquisition of Mobley Pain Management and Wellness Center LLC and Canwell Processing LLC

On August 1, 2021, the Company acquired Mobley Pain Management and Wellness Center LLC and Canwell Processing LLC (collectively referred to as "Summit"), both of which have contractual interests in Summit Medical Compassion Center, Inc. a non-profit entity with vertically integrated cannabis operations in Rhode Island for the purpose of expanding Green Thumb's national presence. Green Thumb exchanged 2,387,807 Subordinate Voting Shares (including 303,599 deferred shares) valued at approximately $69,874 thousand based on the fair value of the securities as traded on the CSE on the date of the transaction. The purchase agreement included additional consideration of up to 2,500,000 Subordinate Voting Shares of Green Thumb depending upon the achievement of certain earnings targets over the twelve-month period following the close of the transaction. The estimated value of the contingent consideration associated with the acquisition of Summit was remeasured as of December 31, 2021 based on a probability weighting of the potential payments. The remeasurement resulted in a $10,000 thousand fair value adjustment which was recorded within selling, general, and administrative expenses as of the period then ended. As of December 31, 2021, the balance of the contingent consideration was $29,400 thousand, all of which was included as a current liability on the Company's consolidated balance sheets.

(iv) Acquisition of GreenStar Herbals Inc.

On September 1, 2021, the Company acquired GreenStar, a Massachusetts-based adult-use cannabis retailer, for the purpose of expanding the Company's operational capacity in the Massachusetts market. Green Thumb exchanged $5,228 in cash and issued 1,344,216 Subordinate Voting Shares (including 161,306 deferred shares) valued at approximately $39,681 thousand in consideration for the ownership interests. The fair value of the securities was based upon the closing price of Green Thumb's Subordinate Voting Shares as traded on the CSE on the date of the transaction. The purchase agreement included additional consideration of up to 663,810 Subordinate Voting Shares of Green Thumb depending upon the achievement of certain revenue metrics of GreenStar over the twenty-four-month period following the close of the transaction. The estimated value of the contingent consideration associated with the acquisition of GreenStar was remeasured as of December 31, 2021 based on a probability weighting of the potential payments. The remeasurement resulted in a $1,900 thousand fair value adjustment which was recorded within selling, general, and administrative expenses as of the period then ended. As of December 31, 2021, the balance of the contingent consideration was $5,800 thousand, all of which was included as a non-current liability on the Company's consolidated balance sheets.

5. ACQUISITIONS *(Continued)*

(a) 2021 Business Acquisitions (Continued)

(v) Acquisition of MDHWC Management Corp.

On November 1, 2021, the Company acquired 100% of the ownership interest in MDHWC Management Corp., which holds contractual interests in Maryland Health and Wellness Center, Inc., a Maryland-based medical dispensary (collectively referred to as "MDHWC"), for the purpose of expanding the Company's operational capacity in the Maryland market. The Company paid approximately $8,320 thousand in cash and issued 309,157 Subordinate Voting Shares of Green Thumb (including 61,832 deferred shares) valued at $6,375 thousand in consideration for the ownership interest. The fair value of the securities was based upon the closing price of Green Thumb's Subordinate Voting Shares as traded on the CSE on the date of the transaction.

(vi) Acquisition of LeafLine Industries, LLC

On December 30, 2021, the Company acquired 100% of the ownership interest in LeafLine, a Minnesota-based medical cannabis cultivator, processor and retailer for the purposes of expanding Green Thumb's national presence. The Company paid $38,731 thousand in cash and 5,513,942 Subordinate Voting Shares of Green Thumb (including 386,002 deferred shares) valued at $117,833 thousand in consideration for the ownership interest. The fair value of the Company's Subordinate Voting Shares was based on their closing price as traded on the CSE on their date of issuance, which was the date of the transaction. As of December 31, 2021, $32,092 thousand in cash had not been remitted to the former owners of LeafLine and thus, was treated as a current liability on the Company's consolidated balance sheets. The cash was received by the former owners of LeafLine on January 3, 2022.

(b) 2020 Business Acquisitions

(i) Acquisition of Southern CT Wellness and Healing

On December 18, 2020, the Company acquired 100% of the ownership interests of a Connecticut-based dispensary for the purposes of expanding the Company's operational capacity in the Connecticut market. The total consideration paid was approximately $14,368 thousand which included cash of approximately $8,997 thousand and 230,031 Subordinate Voting Shares valued at approximately $5,371 thousand based on the fair value of the securities on the date of issuance, which was the closing price of Green Thumb's Subordinate Voting Shares as traded on the CSE on the date of the transaction. The assets acquired and liabilities assumed as part of the acquisition were not material.

6. INTANGIBLE ASSETS AND GOODWILL

(a) 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 December 31, 2021 and December 31, 2020, intangible assets consisted of the following:

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Book Value	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Book Value
Licenses and Permits	$ 655,900	$ 69,812	$ 586,088	$ 343,136	$ 41,994	$ 301,142
Trademarks	98,936	25,096	73,840	99,296	13,455	85,841
Customer Relationships	24,438	9,944	14,494	25,258	7,583	17,675
Non-Competition Agreements	2,565	1,496	1,069	2,585	1,001	1,584
Total Intangible Assets	**$ 781,839**	**$ 106,348**	**$ 675,491**	**$ 470,275**	**$ 64,033**	**$ 406,242**

The Company recorded amortization expense for the years ended December 31, 2021, 2020 and 2019 of $45,208 thousand, $37,027 thousand and $24,466 thousand, respectively.

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

Year Ending December 31,	Estimated Amortization (in thousands)
2022	$ 59,448
2023	59,445
2024	58,864
2025	58,766
2026	50,754
2027 and Thereafter	388,214
	$ 675,491

As of December 31, 2021, the weighted average amortization period remaining for intangible assets was 12.69 years.

6. INTANGIBLE ASSETS AND GOODWILL *(Continued)*

(b) Goodwill

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

	Retail	Consumer Package Goods	Total
		(in thousands)	
As of January 1, 2021	$ 130,680	$ 252,017	$ 382,697
Acquisition of Dharma Pharmaceuticals, LLC	37,100	39,045	76,145
Acquisition of Summit Medical Compassion Center, Inc.	45,725	19,506	65,231
Acquisition of LeafLine Industries, LLC	33,558	23,328	56,886
Other Acquisitions	38,985	24,142	63,127
Adjustments to Purchase Price Allocations	(11,237)	—	(11,237)
As of December 31, 2021	**$ 274,811**	**$ 358,038**	**$ 632,849**

During the year ended December 31, 2021, the Company made immaterial adjustments to the purchase price allocations associated with previously acquired entities that resulted in a reduction to goodwill and deferred tax liabilities and an increase to intangible assets.

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

	Retail	Consumer Package Goods	Total
		(in thousands)	
As at January 1, 2020	$ 119,874	$ 255,211	$ 375,085
Acquisition of Southern CT Wellness and Healing	9,616	—	9,616
Adjustments to Purchase Price Allocations	1,190	(3,194)	(2,004)
As at December 31, 2020	**$ 130,680**	**$ 252,017**	**$ 382,697**

7. INVESTMENTS

As of December 31, 2021 and December 31, 2020, the Company held various equity interests in privately held cannabis companies as well as investments in various notes receivables that had a combined fair value of $94,902 thousand and $40,795 thousand 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 years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
	(in thousands)	
Beginning	$ 40,795	$ 14,069
Additions	83,689	525
Disposals	(18,417)	(170)
Fair value adjustment	6,377	26,371
Transfers out	(17,542)	—
Ending	**$ 94,902**	**$ 40,795**

For the year ended December 31, 2021, the Company recorded net fair value gains of $6,377, of which $5,955 thousand relates to equity investments and was recorded within other income (expense) and $422 thousand relates to various note receivable investments and was recorded to interest income on the consolidated statement of operations. For the years ended December 31, 2020 and 2019, the Company recorded net fair value gains of $26,371 thousand and $(4,061) thousand, respectively, within other income (expense) on the consolidated statement of operations.

(a) Equity Investments

For the years ended December 31, 2021 and 2020, the Company held equity investments in publicly traded entities which have readily determinable fair values, which are classified as Level 1 investments, of $20,583 thousand and $924 thousand, respectively. During the years ended December 31, 2021 and 2020, the Company received proceeds from the sale of such investments of $18,417 thousand and $170 thousand, respectively. The Company recorded net gains on the change in fair value of such investments of $828 thousand and $423 thousand during the years ended December 31, 2021 and 2020, respectively, within other income (expense) on the consolidated statement of operations. There were no gains (losses) on the change in fair value of such investments during the year ended December 31, 2019. These investments are classified as trading securities on the Company's consolidated balance sheet.

For the years ended December 31, 2021 and 2020, the Company held equity investments in privately held entities that did not have readily determinable fair values, which are classified as Level 3 investments, of $33,066 thousand and $39,871 thousand, respectively. There were no sales of these investments during the years ended December 31, 2021 and 2020. The Company recorded net gains (losses) on the change in fair value of such investments of $5,127 thousand, $25,948 thousand and $(4,061) thousand, respectively, within other income (expense) on the consolidated statement of operations. These investments are classified as trading securities on the Company's consolidated balance sheet.

See Note 15 - Fair Value Measurements for additional details.

During the year ended December 31, 2021, the Company transferred $17,542 thousand of its investment in a privately held entity without readily determinable fair value to investment in associate based on the Company's ownership percentage and its ability to exert significant influence over the entity. As a result of the change, the Company began accounting for the investment as an equity method investment. Equity income (loss) recorded during the year ended December 31, 2021 was not material to the Company. No such transfers occurred during the year ended December 31, 2020.

Unrealized gains and (losses) recognized on equity investments held during the years ended December 31, 2021, 2020 and 2019 were $6,377 thousand, $26,371 thousand, and ($4,061) thousand, respectively.

7. INVESTMENTS *(Continued)*

(b) Note Receivable Instruments

During the year ended December 31, 2021, the Company made multiple investments in various note receivable instruments, including note receivable instruments with conversion features.

As of December 31, 2021, the Company held note receivable instruments, which were classified as a Level 1 investment as they represent public debt of a publicly traded entity, and had a fair value of $23,534 thousand. The note receivable instruments had a stated interest rate of 13% and a maturity date of April 29, 2025. These notes did not contain conversion features and are currently classified as held-to-maturity securities on the Company's consolidated balance sheet.

As of December 31, 2021, the Company held note receivable instruments which were classified as Level 3 investments as they represent loans provided to privately held entities that do not have readily determinable fair values. The note receivable instruments had a combined fair value of $17,719 thousand, with stated interest ranging between 0.91% - 10% and terms between 15 months to three years. The combined fair value amounts include the initial investment cost and combined contractual accrued interest of $422 thousand. These note are classified as trading securities on the Company's consolidated balance sheet.

As of December 31, 2020, the Company did not own any Level 1 or Level 3 investments in such note receivable instruments.

See Note 15 - Fair Value Measurements for additional details.

8. LEASES

(a) Operating Leases

The Company has operating leases for certain Rise, and other retail dispensaries as well as many of the Company's processing and cultivation facilities located throughout the US and operating leases for corporate office space in Illinois and Minnesota. 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 years ended December 31, 2021, 2020 and 2019 the company recorded operating lease expense of $34,124 thousand, $26,287 thousand and $7,291 thousand, respectively.

Other information related to operating leases as of December 31, 2021 and December 31, 2020 were as follows:

	December 31, 2021	December 31, 2020
Weighted average remaining lease term (years)	11.82	12.10
Weighted average discount rate	13.60%	13.70%

Maturities of lease liabilities for operating leases as of December 31, 2021 were as follows:

	Maturities of Lease Liability		
Year Ending December 31,	**Third Party**	**Related Party**	**Total**
		(in thousands)	
2022	$ 33,200	$ 1,119	$ 34,319
2023	33,006	1,144	34,150
2024	32,384	1,027	33,411
2025	29,967	948	30,915
2026	27,999	970	28,969
2027 and Thereafter	270,492	7,066	277,558
Total Lease Payments	427,048	12,274	439,322
Less: Interest	(241,867)	(5,695)	(247,562)
Present Value of Lease Liability	**$ 185,181**	**$ 6,579**	**$ 191,760**

(b) Related Party Operating Leases

Wendy Berger, a director of the Company, is a principal of WBS Equities, LLC, which is the Manager of Mosaic Real Estate, LLC, which owns the 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 years ended December 31, 2021, 2020 and 2019, the Company recorded lease expense of $1,185 thousand, $1,500 thousand and $1,210 thousand respectively, associated with these leasing arrangements.

(c) Sales Lease Back Transactions

(i) Toledo, Ohio Cultivation and Processing Facility

On January 31, 2020, the Company closed on a sale and lease back transaction to sell its Toledo, Ohio 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 thousand, excluding transaction costs.

On October 1, 2020, the Company and IIP agreed to amend the lease on the Toledo, Ohio processing facility. Under the amendment, IIP provided an additional $25,000 thousand in funding to be used for the construction of a cannabis cultivation facility. The amended lease has a term of 20 years and was recorded as an operating lease which resulted in a right of use asset and related lease liability of $28,134 thousand.

(ii) Oglesby Cultivation and Processing Facility

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 thousand, excluding transaction costs. As of December 31, 2021 the Company has made certain improvements to the property that has significantly enhanced production capacity, for which IIP has reimbursed $41,000. The lease has a term of 16 years and was recorded as an operating lease which resulted in a right of use asset and related lease liability of $42,236 thousand.

9. NOTES PAYABLE

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

	December 31, 2021	December 31, 2020
	(in thousands)	
Charitable Contributions [1]	$ 1,238	$ 718
Private placement debt dated May 22, 2019	—	94,955
Private placement debt dated April 30, 2021	228,690	—
Mortgage notes [2]	10,006	3,382
Total notes payable	239,934	99,055
Less: current portion of notes payable	(783)	(342)
Notes payable, net of current portion	**$ 239,151**	**$ 98,713**

[1] In connection with acquisitions completed in 2017 and 2019, the Company is required to make quarterly charitable contributions of $50 thousand through October 2024 and $200 thousand per year through May 2024, respectively. The net present value of these required payments has been recorded as a liability with interest rates ranging between 2.17% - 7.00%.

[2] Mortgage notes, in the original amount of $10,437 thousand and $3,607 thousand were issued by the Company in connection with various operating properties during the years ended December 31, 2021 and 2020, respectively. These mortgage notes mature between August 20, 2025 and August 1, 2041 and were issued at a discount, the carrying value of which was $162 thousand and $174 thousand, and are presented net of principal payments of $269 thousand and $51 thousand as of December 31, 2021 and December 31, 2020, respectively.

(a) April 30, 2021 Private Placement Financing

On April 30, 2021, the Company closed a $249,934 thousand Senior Secured non-brokered private placement financing through the issuance of senior secured notes (the “April 30, 2021 Notes”). The Company used the proceeds to retire the Company’s existing $105,466 thousand, senior secured notes due May 22, 2023 (the "May 22, 2019 Notes") and the remaining proceeds for general working capital purposes as well as various growth initiatives. The April 30, 2021 Notes have a maturity date of April 30, 2024 and bear interest from the date of issue of 7.00% per annum, payable quarterly, with an option, at the discretion of the Company, to extend for an additional 12 months. The financing permitted the Company to borrow an additional $33,266 thousand over the next twelve months following the closure of the private placement. The purchasers of the April 30, 2021 Notes also received 1,459,044 warrants (the “Warrants”) which allow the holder to purchase one Subordinate Voting Share at an exercise price of $32.68 per share, for a period of 60 months from the date of issue.

The refinancing of the May 22, 2019 Notes involved multiple lenders who were considered members of a loan syndicate. In determining whether the refinancing of the May 22, 2019 Notes should be accounted for as a debt extinguishment or a debt modification, the Company considered whether, prior to and following the refinancing, creditors remained the same or changed, and whether the changes in debt terms were substantial. A change in the terms of the May 22, 2019 Notes was considered to be substantial if the present value of the remaining cash flows under the April 30, 2021 Notes were at least 10% different from the present value of the remaining cash flows under the May 22, 2019 Notes (commonly referred to as the “10% Test”). The Company performed a separate 10% Test for each individual lender participating in the loan syndication. Of the 30 lenders who participated in the original financing of the May 22, 2019 Notes, 18 were accounted for as a debt extinguishment, while 12 were treated as a modification. Additionally, 9 new lenders joined the loan syndicate.

On October 15, 2021, the Company amended its existing Notes Purchase Agreement, for the purposes of borrowing an additional $33,200 thousand, as permitted under the April 30, 2021 Second Amendment to the Notes Purchase Agreement dated April 30, 2021. The additional borrowings have terms consistent with the April 30, 2021 Notes and increase the total amount borrowed to $249,934 thousand. The Company intends to use the additional proceeds for general working capital purposes as well as various growth initiatives. The purchasers of the Amended Notes received an additional 243,303 warrants which allow the holder to purchase one Subordinate Voting Share at an exercise price of $30.02 per share, for a period of 60 months from the date of issue.

The Second Amendment to the Notes Purchase Agreement dated April 30, 2021 includes certain covenants which require the Company to maintain (on a daily basis) unrestricted cash and cash equivalents in an amount greater than or equal to the amount of interest scheduled to become due in the next 365-days and to not permit the ratio of net debt to stockholders’ equity to exceed 0.6 to 1.0 as of the last day of any quarter. In addition, the Company is required to maintain a debt to EBITDA ratio of 4.5 to 1.0 as of the last day of each quarter. As of December 31, 2021 and 2020, the Company was in compliance with all covenants.

9. NOTES PAYABLE *(Continued)*

(b) Related Parties

A portion of the April 30, 2021 Notes are 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 (held through KP Capital, LLC and Outsiders Capital, LLC); Andrew Grossman, the Executive Vice President of Capital Markets of the Company (held through AG Funding Group, LLC); Anthony Georgiadis, the Chief Financial Officer and a director of the Corporation (held through Three One Four Holdings, LLC); and Anthony Georgiadis and William Gruver, a director of the Corporation (held through ABG, LLC).

10. WARRANTS

As part of the Company's private placement financing, as well as other financing arrangements, the Company issued warrants to related parties, as well as unrelated 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 of warrants outstanding as of December 31, 2021 and December 31, 2020:

	Liability Classified			Equity Classified		
	Number of Shares	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price (USD)	Weighted Average Remaining Contractual Life
Balance as at December 31, 2020	2,485,794	C$ 18.45	4.87	35,000	9.10	5.00
Warrants Issued	—	—	—	1,702,347	32.30	5.00
Warrants Exercised	(278,381)	18.16	2.45	—	—	—
Warrants Expired	(109,482)	22.90	—	—	—	—
Balance as at December 31, 2021	**2,097,931**	**C$ 18.26**	**2.42**	**1,737,347**	**31.83**	**4.38**

(a) Liability Classified Warrants Outstanding

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

Warrant Liability	Strike Price	Warrants Outstanding	Fair Value December 31, 2021	Fair Value December 31, 2020	Change
			(in thousands)		
Bridge Financing Warrants	C$22.90	100,723	$ 676	$ 2,545	$ (1,869)
Private Placement Financing Warrants	C$19.39	1,606,533	18,527	28,757	(10,230)
Modification Warrants	C$12.04	316,947	4,603	6,630	(2,027)
Additional Modification Warrants	C$14.03	73,728	1,071	1,522	(451)
Totals		**2,097,931**	**$ 24,877**	**$ 39,454**	**$ (14,577)**

During the years ended December 31, 2021, 2020 and 2019, the Company recorded a gain of $14,577 thousand, and losses of $23,002 thousand and $4,160 thousand respectively, on the change in the fair value of the warrant liability within other income (expense) on the 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 15 - Fair Value Measurements for additional details):

Significant Assumptions	December 31, 2021	December 31, 2020
Volatility	59.95% - 74.04%	72.19% - 79.10%
Remaining Term	0.78 - 3.39 years	1.78 - 4.39 years
Risk Free Rate	0.91% - 1.06%	0.20% - 0.28%

10. WARRANTS *(Continued)*

(b) Equity Classified Warrants Outstanding

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

Warrants Included in Contributed Surplus	Strike Price	Warrants Outstanding	Fair Value December 31, 2021 (in thousands)	Fair Value December 31, 2020 (in thousands)
Mortgage Warrants	$ 9.10	35,000	$ 181	$ 181,272
Private Placement Refinance Warrants April 2021	$ 32.68	1,459,044	22,259	—
Private Placement Refinance Warrants October 2021	$ 30.02	243,303	$ 2,616	$ —
Totals		**1,737,347**	**$ 25,056**	**$ 181,272**

The equity warrants were valued as of the date of issuance using a Black Scholes Option Pricing model. The following table summarizes the significant assumptions used in determining the fair value of the warrants as of each respective issuance date:

Significant Assumptions	Private Placement Refinancing Warrants	Private Placement Refinancing Warrants	Dispensary Mortgage Warrants
Date of Issuance	October 15, 2021	April 30, 2021	June 5, 2020
Volatility	73%	73%	80%
Estimated Term	4 years	4 years	5 years
Risk Free Rate	1.12%	0.74%	0.37%

11. 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 common 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 applicable vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with 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 year ended December 31, 2021, the shareholders of the Company converted 1,758 Multiple Voting Shares into 175,800 Subordinate Voting Shares and 27,000 Super Voting Shares into 2,700,000 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 December 31, 2021, the Company had 38,531 issued and outstanding Multiple Voting Shares, which convert into 3,853,100 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Multiple Voting Shares. During the year ended December 31, 2021, the shareholders of the Company converted 1,758 Multiple Voting Shares into 175,800 Subordinate Voting Shares.

(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 December 31, 2021, the Company had 285,031 issued and outstanding Super Voting Shares which convert into 28,503,100 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Super Voting Shares. During the year ended December 31, 2021, the shareholders of the Company converted 27,000 Super Voting Shares into 2,700,000 Subordinate Voting Shares.

(Amounts Expressed in Thousands of United States Dollars, Except Where Stated Otherwise)

11. SHARE CAPITAL *(Continued)*

(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 January 1, 2019	43,920,131	677,230	424,513
Issuance of shares under business combinations and investments	45,571,444	—	—
Noncontrolling Interests adjustment for change in ownership	—	31,000	—
Issuance of shares for redemption of noncontrolling interests	2,498,404	—	—
Issuance of shares upon exercise of options and warrants	114,080	—	—
Issuances of shares upon vesting of RSUs	1,165,630	—	—
Issuance of shares for professional fees	19,875	—	—
Exchange of shares	35,710,400	(334,880)	(22,224)
As at December 31, 2019	**128,999,964**	**373,350**	**402,289**
As at January 1, 2020	128,999,964	373,350	402,289
Issuance of shares under business combinations and investments	1,752,065	—	—
Distribution of contingent consideration	2,713,463	—	—
Distribution of deferred shares	1,220,548	—	—
Issuance of shares upon exercise of options and warrants	171,813	—	—
Issuances of shares upon vesting of RSUs	923,468	—	—
Exchange of shares	42,331,900	(333,061)	(90,258)
As at December 31, 2020	**178,113,221**	**40,289**	**312,031**
As at January 1, 2021	178,113,221	40,289	312,031
Issuance of shares under business combinations and investments	12,904,675	—	—
Distribution of contingent consideration	881,357	—	—
Distribution of deferred shares	222,467	—	—
Issuance of common shares pursuant to S-1	4,693,991	—	—
Issuance of shares for redemption of noncontrolling interests	136,075	—	—
Issuance of shares upon exercise of options and warrants	1,302,682	—	—
Issuances of shares upon vesting of RSUs	389,530	—	—
Shares issued in association with notes payable	8,514	—	—
Shares issued for settlement of business dispute	240,000	—	—
Exchange of shares	2,875,800	(1,758)	(27,000)
As at December 31, 2021	**201,768,312**	**38,531**	**285,031**

(i) Issuance of Shares Under Business Combinations and Investments

During the year ended December 31, 2021, The Company issued 12,904,675 Subordinate Voting Shares with a cumulative value of $343,303 thousand associated with various acquisitions. See Note 5 - Acquisitions for details.

11. SHARE CAPITAL *(Continued)*

(b) Issued and Outstanding *(Continued)*

(ii) Distribution of Contingent Consideration (Continued)

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. During the year ended December 31, 2021, the Company issued a total of 681,364 Subordinate Voting Shares to the former owners of Integral Associates, LLC in connection with the awarding of two final retail dispensary licenses. The shares had a combined fair value of $17,869 thousand, which was recorded in in share capital on the consolidated balance sheet. As of December 31, 2021, the carrying value of the equity classified contingent consideration was $9,654 thousand

Dharma Pharmaceuticals, LLC

In connection with the Company's 2021 acquisition of Dharma Pharmaceuticals, LLC ("Dharma"), the purchase agreement included contingent consideration which was dependent upon the successful opening of five retail dispensaries and the legal sale of adult use cannabis by January 1, 2025. On August 16, 2021, the Company issued 199,993 Subordinate Voting Shares to the former owners of Dharma in connection with the opening of one retail dispensary in Virginia. The shares had a fair value of $5,949 thousand on the date of issuance.

As of December 31, 2021, the estimated fair value of the contingent consideration associated with the acquisition of Dharma, which was valued based on a probability weighting of the potential payments, was $48,665 thousand, of which $20,884 thousand was included as a current liability on the Company's consolidated balance sheets.

(iii) Distribution of Deferred Shares

For Success Holding Company

As part of the consideration exchanged in the Company's 2019 acquisition of For Success Holding Company, deferred shares were held back for a period of twenty-four months from the close of the transaction. On February 22, 2021, the Company issued 146,315 Subordinate Voting Shares with a value of $1,826 thousand in connection with the Company's 2019 acquisition of For Success Holding Company. The issuance of the deferred shares represented the final payout to the former owners of For Success Holding Company and resulted in the cancelation of 780 shares 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 3,122,074 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 thousand. 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 thousand. The Company used the net proceeds from the sale of registered securities for general corporate purposes, which include capital expenditures, working capital and general and administrative expenses. The Company also used a portion of the net proceeds to acquire or invest in businesses and products that are complimentary to the Company's own businesses and products. Additionally, the Company incurred legal, audit and other professional fees of $305 thousand associated the issuance of the registered shares. Such fees have been recorded within contributed surplus (deficit) within the Company's consolidated balance sheet.

11. 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 RSUs and options issued under the Plan shall not exceed 10% of the Company's 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 C$	Weighted Avereage Remaining Contractual Life	Aggregate Intrinsic Value *(in thousands)*
Balance as at December 31, 2020	5,664,406	11.91	4.39	$ 85,408
Granted	1,487,487	36.45	3.99	
Exercised	(1,024,301)	12.78		18,142
Forfeited	(744,317)	15.19		
Balance as at December 31, 2021	5,383,275	18.07	3.59	$ 48,803
Vested	3,448,993	12.82		
Exercisable at December 31, 2021	2,183,973	12.71	3.68	$ 25,345

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 December 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 December 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.

11. 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 year ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,		
	2021	2020	2019
Weighted average grant date fair value (per share) of stock option units granted (C$)	14.47	6.58	8.06
Intrinsic value of stock option units exercised, using market price at vest date (US$) *(in thousands)*	$ 18,142	$ 1,184	$ 88

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

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.33% - 1.39%	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 December 31, 2021 and December 31, 2020 and the changes during the year ended December 31, 2021:

	Number of Shares	Weighted Average Grant Date Fair Value (C$)
Nonvested Shares at December 31, 2020	689,340	16.77
Granted	184,134	34.76
Forfeited	(107,817)	16.73
Vested	(389,530)	21.83
Nonvested Shares at December 31, 2021	376,127	20.39

The following table summarizes the weighted average grant date fair value of RSUs granted and total fair value of RSUs vested for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,		
	2021	2020	2019
Weighted average grant date fair value (per share) of RSUs granted (C$)	34.76	13.90	11.70
Intrinsic value of RSUs vested, using market price at vest date (US$) *(in thousands)*	$ 11,457	$ 9,077	$ 13,522

11. SHARE CAPITAL *(Continued)*

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

The stock-based compensation expense for the years ended December 31, 2021, 2020 and 2019 was as follows:

	For the Years Ended December 31,		
	2021	2020	2019
		(in thousands)	
Stock options expense	$ 13,198	$ 10,938	$ 6,393
Restricted Stock Units	6,402	8,399	11,892
Total Stock Based Compensation Expense	$ 19,600	$ 19,337	$ 18,285

As of December 31, 2021, $23,199 thousand of total unrecognized expense related to stock-based compensation awards is expected to be recognized over a weighted-average period of 2.02 years.

12. INCOME TAX EXPENSE

The Company accounts for income taxes in accordance with ASC 740 - *Income Taxes*, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases.

Green Thumb Industries Inc. is organized in Canada but maintains all of its operations in the United States. Due to this inverted entity structure, the Company is subject to both US and Canadian taxation.

For the years ended December 31, 2021, 2020 and 2019, income taxes expense consisted of:

	Years Ended December 31,		
	2021	2020	2019
		(in thousands)	
Current:			
Federal	$ 96,749	$ 65,118	$ 18,096
State	35,402	16,640	4,665
Foreign	—	—	—
Total Current	132,151	81,758	22,761
Deferred:			
Federal	(6,151)	3,520	(12,535)
State	(1,388)	(1,425)	(882)
Foreign	—	—	—
Total Deferred	(7,539)	2,095	(13,417)
Total	**$ 124,612**	**$ 83,853**	**$ 9,344**

The difference between the income tax expense for the years ended December 31, 2021, 2020 and 2019 and the expected income taxes based on the statutory tax rate applied to earnings (loss) arises as follows:

12. INCOME TAX EXPENSE *(Continued)*

	Years Ended December 31, 2021	2020	2019
	(in thousands)		
Income/(Loss) before Income Taxes	$ 204,975	$ 102,931	$ (50,202)
Statutory Tax Rates	21%	21%	21%
Expense/(Recovery) based on Statutory Rates	43,045	21,615	(10,542)
State Taxes	31,476	14,837	(1,537)
Provision to Return Adjustment	971	5,299	(1,209)
Adjustments for Stock Compensation	(1,836)	(211)	(1,952)
Non-deductible Expenses	40,847	27,570	14,166
Change in State Rate Reconciliation	54	(2,535)	513
Change in Valuation Allowance	10,712	7,706	7,604
Change in Uncertain Tax Position	2,776	9,918	2,113
Other Differences	(3,433)	(346)	188
Income Tax Expense	$ **124,612**	$ **83,853**	$ **9,344**

Income taxes paid for the years ended December 31, 2021, 2020 and 2019 were $148,104 thousand, $72,575 thousand and $18,510 thousand, respectively.

As the Company operates in the cannabis industry, it is subject to the limitations of 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. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

Deferred taxes are provided using an asset and liability method whereby deferred tax assets are recognized based on the rates at which they are expected to reverse in the future. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that enactment occurs.

At December 31, 2021 and December 31, 2020, the components of deferred tax assets and liabilities were as follows:

	Years Ended December 31, 2021	2020
	(in thousands)	
Deferred Tax Assets		
Operating Lease Liabilities	$ 42,982	$ 33,641
Net Operating Losses	21,237	13,236
163(j) Interest Limitation	9,864	5,481
Warrant Fair Value Derivative	1,200	5,251
Stock-based Compensation	5,383	7,097
Asset Acquisition Life Difference	1,329	—
Other	5,214	3,454
Valuation Allowance	(27,174)	(17,033)
Total Deferred Tax Assets	60,035	51,127
Deferred Tax Liabilities		
Operating Right of Use Assets	$ (39,165)	$ (31,211)
Fair Value Investments	(4,703)	(7,735)
Intangibles	(84,896)	(37,398)
Total Deferred Tax Liabilities	(128,764)	(76,344)
Net Deferred Tax Liabilities	$ **(68,729)**	$ **(25,217)**

12. INCOME TAX EXPENSE *(Continued)*

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company assessed the positive and negative evidence to determine if sufficient future taxable income will be generated to use the existing deferred tax assets. A valuation allowance is maintained as of December 31, 2021 and 2020 in the amount of $27,174 thousand and $17,033 thousand, respectively.

As of December 31, 2021, the Company had $92,254 thousand of gross federal net operating loss carryforwards which will not expire. Additionally, the Company had $13,758 thousand of gross state net operating loss carryforwards, if not claimed, begin to expire in 2031. The Company's evaluation concluded that the majority of the net operating losses will not be realized.

Pursuant to Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, utilization of net operating losses and credits may be subject to annual limitations in the event of any significant future changes in its ownership structure. These annual limitations may result in the expiration of net operating losses and credits prior to utilization.

The Company operates in a number of tax jurisdictions and are subject to examination of its income tax returns by tax authorities in those jurisdictions who may challenge any item on these returns. Because the tax matters challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. In accordance with ASC 740 (Topic 740, “Income Taxes”), the Company recognizes the benefits of uncertain tax positions in our consolidated financial statements only after determining that it is more likely than not that the uncertain tax positions will be sustained.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
		(in thousands)	
Balance at Beginning of Year	**$ 10,341**	**$ 2,113**	**$ —**
Gross increases related to tax positions in a prior period	823	2,382	392
Gross decreases related to tax positions in a prior period	—	—	—
Gross increases related to tax positions in the current period	6,166	7,536	1,721
Gross decreases related to tax positions in a current period	(4,213)	(1,690)	—
Balance at End of Year	**$ 13,117**	**$ 10,341**	**$ 2,113**

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2021 and 2020, we recognized $1,377 thousand and $554 thousand of interest and penalties, respectively. There are no positions for which it is reasonably possible that the uncertain tax benefit will significantly increase or decrease within twelve months. We file income tax returns in the US, various state jurisdictions, and Canada, which jurisdictions have varying statutes of limitations. The US federal statute of limitation remains open for the 2018 tax year to the present. The state income tax returns generally remain open for the 2018 tax year through the present. Net operating loss arising prior to these years are also open to examination if and when utilized.

13. OTHER INCOME (EXPENSE)

For the years ended December 31, 2021, 2020 and 2019 other income (expense) was comprised of the following:

	Years Ended December 31,		
	2021	2020	2019
	(in thousands)		
Fair value adjustments on equity investments	$ 5,955	$ 26,371	$ (4,061)
Fair value adjustments on convertible notes receivable	—	—	(1,771)
Fair value adjustments on variable note receivable	—	(816)	(6,609)
Loss on extinguishment of debt	(10,645)	—	—
Fair value adjustments on warrants issued	14,577	(23,002)	4,160
Fair value adjustments on contingent consideration	—	9,877	(3,687)
Earnings from equity method investments	1,799	2,320	1,064
Other	(1,009)	627	585
Total Other Income (Expense)	**$ 10,677**	**$ 15,377**	**$ (10,319)**

14. 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 consolidated statements of operations. See Note 5 - Acquisitions for details.

(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 licenses and 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 December 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.

(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 December 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 December 31, 2021, the Company held approximately $73,000 thousand of open construction commitments to contractors on work being performed.

15. 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, investments, accounts payable and accrued liabilities, notes payable, warrant liability, and contingent consideration payable.

For the Company's long-term notes payable (which consist of charitable contributions, private placement debt and mortgage notes), for which there were no quoted market prices or active trading markets, it was not practicable to estimate the fair value of these financial instruments. The carrying amount of notes payable at December 31, 2021 and December 31, 2020 was $239,934 thousand and $99,055 thousand, which includes $783 thousand and $342 thousand, respectively, of short-term debt due within one year.

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 following tables summarize the Company's financial instruments which are measured at fair value as of December 31, 2021 and 2020:

	As of December 31, 2021 (in thousands)			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 230,420	$ —	$ —	$ 230,420
Investments	44,117	—	50,785	94,902
Contingent Consideration Payable	—	—	(83,865)	(83,865)
Warrant Liability	—	—	(24,877)	(24,877)
	$ 274,537	**$ —**	**$ (57,957)**	**$ 216,580**

	As of December 31, 2020 (in thousands)			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 83,758	$ —	$ —	$ 83,758
Investments	924	—	39,871	40,795
Contingent Consideration Payable	—	—	(27,100)	(27,100)
Warrant Liability	—	—	(39,454)	(39,454)
	$ 84,682	**$ —**	**$ (26,683)**	**$ 57,999**

As of December 31, 2020, the Company held an investment in a privately held entity that became a publicly traded company. As a result, the Company received shares of the publicly traded entity in exchange for the shares in the privately held entity. The transaction resulted in a transfer of the investment from Level 3 to Level 1 during the year ended December 31, 2021. As of December 31, 2021 and December 31, 2020 the fair value of the investment was $19,957 thousand, which is included as a Level 1 financial instrument and $37,249 thousand, which is included as a Level 3 financial instrument, in each respective table above.

15. FAIR VALUE MEASUREMENTS *(Continued)*

As of December 31, 2019, the Company held an equity investment in a privately held entity that was subsequently acquired by a publicly traded entity. As a result of the acquisition, the Company received shares of the acquiring entity in exchange for the shares in the privately held entity. The transaction resulted in a transfer of the investment from Level 3 to Level 1 during the year ended December 31, 2020. As of December 31, 2020, the fair value of the Level 1 financial instrument was $924 thousand.

16. 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 consolidated balance sheets as of December 31, 2021 and 2020. All of these entities were determined to be VIEs as the Company possesses the power to direct activities through management services agreements ("MSAs"):

	IL Disp, LLC	Other Non-material VIEs	Chesapeake Alternatives, LLC	IL Disp, LLC	Other Non-material VIEs
	December 31, 2021 (in thousands)		December 31, 2020 (in thousands)		
Current assets	$ 4,118	$ 1,033	$ 32,308	$ 3,739	$ 2,593
Non-current assets	3,290	1,761	3,367	3,657	2,282
Current liabilities	10,719	854	23,362	337	1,563
Non-current liabilities	413	696	769	462	783
Noncontrolling interests	(1,862)	224	—	3,174	363
Equity attributable to Green Thumb Industries Inc.	(1,862)	1,020	11,544	3,174	2,261

On September 1, 2021, the Company acquired the remaining minority interest in Meshow, LLC, a retail dispensary located in Maryland, for $950 thousand in cash and the issuance of 136,075 shares of Green Thumb, which had a fair value of $4,070 thousand, based on the closing price of Green Thumb's Subordinate Voting Shares as traded on the CSE on the date of the transaction. As a result, the remaining equity associated with the non controlling interest was closed to share capital of Green Thumb as of September 1, 2021.

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 non controlling interest was closed to share capital of Green Thumb as of December 31, 2020.

The following tables present the summarized financial information about the Company's VIEs which are included in the consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019:

	IL Disp, LLC	Other Non-material VIEs	Chesapeake Alternatives, LLC	IL Disp, LLC	Other Non-material VIEs	Chesapeake Alternatives, LLC	IL Disp, LLC	Other Non-material VIEs
	December 31, 2021 (in thousands)		December 31, 2020 (in thousands)			December 31, 2019 (in thousands)		
Revenues	$ 24,420	$ 12,914	$ 19,725	$ 18,694	$ 10,012	$ 16,057	$ 5,858	$ 3,516
Net income attributable to noncontrolling interests	3,565	1,362	411	3,035	639	—	700	(1,130)
Net income attributable to Green Thumb Industries Inc.	3,565	1,713	4,577	3,035	575	1,807	700	(2,837)
Net income	**$ 7,130**	**$ 3,075**	**$ 4,988**	**$ 6,069**	**$ 1,214**	**$ 1,807**	**$ 1,400**	**$ (3,967)**

As of December 31, 2021, VIEs included in the Other Non-material VIEs are Bluepoint Wellness of Westport LLC. As of December 31, 2020, VIEs included in the Other Non-material VIEs are Bluepoint Wellness of Westport, LLC and Meshow, LLC. As of December 31, 2019, VIEs included in Other Non-material VIEs are Bluepoint Wellness of Westport, LLC, Meshow, LLC and Ohio Investors 2017, LLC.

The net change in the consolidated VIEs and Other Noncontrolling Interest are as follows for the years ended December 31, 2021 and 2020:

16. VARIABLE INTEREST ENTITIES *(Continued)*

	Chesapeake Alternatives, LLC	IL Disp, LLC	Other Non-material VIEs	Total
		(in thousands)		
Balance as at January 1, 2020	$ 350	$ 2,089	$ 74	$ 2,513
Contributions	—	—	50	50
Distributions	(439)	(1,950)	(400)	(2,789)
Net income (loss)	411	3,035	639	4,085
Changes in ownership	(322)	—	—	(322)
Balance as at December 31, 2020	—	3,174	363	3,537
Distributions	—	(8,600)	(2,428)	(11,028)
Net income (loss)	—	3,565	1,362	4,927
Changes in ownership	—	—	926	926
Balance as at December 31, 2021	**$ —**	**$ (1,861)**	**$ 223**	**$ (1,638)**

17. 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 years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,		
	2021	2020	2019
		(in thousands)	
Revenues, net of discounts			
Consumer Packaged Goods	$ 467,258	$ 273,977	$ 109,930
Retail	614,739	396,372	137,810
Intersegment Eliminations	(188,437)	(113,776)	(31,307)
Total Revenues, net of discounts	**$ 893,560**	**$ 556,573**	**$ 216,433**
Depreciation and Amortization			
Consumer Packaged Goods	$ 36,839	$ 28,207	$ 17,792
Retail	31,619	24,299	13,690
Intersegment Eliminations	—	—	—
Total Depreciation and Amortization	**$ 68,458**	**$ 52,506**	**$ 31,482**
Income Taxes			
Consumer Packaged Goods	$ 57,704	$ 33,965	$ 3,727
Retail	66,908	49,888	9,906
Intersegment Eliminations	—	—	(4,289)
Total Income Taxes	**$ 124,612**	**$ 83,853**	**$ 9,344**

Goodwill assigned to the Consumer Packaged Goods segment as of December 31, 2021 and December 31, 2020 was $358,038 thousand and $252,017 thousand, respectively. Intangible assets, net assigned to the Consumer Packaged Goods segment as of December 31, 2021 and December 31, 2020 was $317,454 thousand and $211,304 thousand, respectively.

Goodwill assigned to the Retail segment as of December 31, 2021 and December 31, 2020 was $274,811 thousand and $130,680 thousand, respectively. Intangible assets, net assigned to the Retail segment as of December 31, 2021 and December 31, 2020 was $358,037 thousand and $194,938 thousand, respectively.

17. SEGMENT REPORTING *(Continued)*

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 30 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.

18. QUARTERLY FINANCIAL DATA

The following table contains selected quarterly data for 2021 and 2020. The information should be read in conjunction with the Company's financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The Company believes that the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	First Quarter	Second Quarter	Third Quarter (in thousands)	Fourth Quarter	Full Year
2021					
Net Sales	$ 194,431	$ 221,872	$ 233,677	$ 243,580	$ 893,560
Income from operations	51,534	50,855	58,069	54,384	214,842
Net Income attributable to Green Thumb Industries Inc.	10,369	22,052	20,209	22,806	75,436
Net Income per share – basic	0.05	0.10	0.09	0.10	0.34
Net Income per share – diluted	0.05	0.10	0.08	0.10	0.33
Weighted average number of common shares outstanding - basic	216,210,429	220,323,622	226,529,671	230,916,901	223,192,326
Weighted average number of common shares outstanding - diluted	221,616,157	224,843,155	230,879,437	233,927,531	226,758,882

	First Quarter	Second Quarter	Third Quarter (in thousands)	Fourth Quarter	Full Year
2020					
Net Sales	$ 102,603	$ 119,640	$ 157,104	$ 177,226	$ 556,573
Income (loss) from operations	7,553	14,051	37,211	47,292	106,107
Net Income (loss) attributable to Green Thumb Industries Inc.	(4,206)	(12,910)	9,644	22,465	14,993
Net Income (loss) per share - basic	(0.02)	(0.06)	0.04	0.11	0.07
Net Income (loss) per share - diluted	(0.02)	(0.06)	0.04	0.11	0.07
Weighted average number of common shares outstanding - basic	208,468,356	209,902,732	211,990,405	213,249,477	210,988,259
Weighted average number of common shares outstanding - diluted	208,468,356	209,902,732	214,212,292	217,178,771	212,531,188

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Green Thumb Industries, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Green Thumb Industries, Inc. (the "Company") as of December 31, 2021, the related consolidated statements of operations, changes in shareholders' equity, and cash flows, for the year ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework: (2013)*issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO because a material weakness in internal control over financial reporting existed as of that date related to the Company not designing and maintaining effective controls related to the accounting for contingent consideration.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above are described in Management's Report on Internal Controls over Financial Reporting under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances.

As indicated in the accompanying Management's Report on Internal Controls over Financial Reporting, during the year ended December 31, 2021, the Company completed six separate acquisitions (the "Acquired Entities"). As permitted by the Securities and Exchange Commission, management excluded the Acquired Entities from its assessment of internal control over financial reporting as of December 31, 2021. The Acquired Entities operations constitute approximately three percent of total assets (excluding goodwill and other intangible assets) as of December 31, 2021, and approximately four percent of revenues, net of discounts for the year then ended. Our audit of internal control over financial reporting did not include an evaluation of the internal controls over financial reporting of the Acquired Entities.

We believe that our audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Intangibles (Including Goodwill) Arising from Business Combinations

Critical Audit Matter Description

As described in Note 5 to the consolidated financial statements, the Company completed the acquisitions of Liberty Compassion, Inc., Dharma Pharmaceuticals, LLC, and Mobley Pain Management and Wellness Center, LLC and CanWell Processing, LLC, GreenStar Herbals Inc., MDHWC Management Corp., and LeafLine Industries, LLC during the year ended December 31, 2021. The aggregate consideration for the acquisitions was approximately $540 million. In addition, during the year ended December 31, 2021, the Company finalized the purchase price allocation related to the acquisition of Southern CT Wellness & Healing, which was acquired during the year ended December 31, 2020. The aggregate consideration for the acquisition was approximately $14 million. Each acquisition was accounted for as a business combination. The Company measured the assets acquired and liabilities assumed at fair value, which resulted in the recognition of intangible assets totaling approximately $590 million (of which approximately $17 million related to Southern CT Wellness & Healing). The Company has recorded identifiable license intangible assets of approximately $321 million and goodwill of approximately $269 million (of which approximately $9 million and $8 million related to a license intangible asset and goodwill, respectively, of Southern CT Wellness & Healing) as a result of these acquisitions.

The valuation of the intangible assets is complex and judgmental due to the use of subjective assumptions in the valuation models used by management when determining the estimated fair values of the intangible assets acquired consideration paid. The determination of the fair values of the intangible assets and consideration paid requires management to make significant estimates and assumptions related to forecasts of future revenues, expenses, discount rates, risk-free rates, weighted-average cost of capital, equity risk premium, and the probability of occurrence of certain transactions. Auditing management's valuation of the acquired intangible assets is complex due to the judgments required to evaluate management's previously noted estimates and assumptions.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- We tested internal controls relating to the evaluation of the assumptions used to estimate the fair value of the intangible assets acquired including:
  - Management's identification of assets acquired and liabilities incurred.
  - Management's evaluation of the completeness, accuracy and reasonableness of prospective financial information used to determine the fair values of intangible assets acquired.
  - Management's evaluation of the completeness and accuracy of key assumptions and inputs used by third-party valuation specialists, including the discount rate, risk-free rate, weighted-average cost of capital, equity risk premium, and probabilities assigned to contingent consideration used to determine fair values.
  - Management's evaluation of the clerical accuracy of the model used to determine the fair values of intangible assets acquired.
- Substantively tested, with the assistance of firm personnel with experience in the application of fair value and valuation methodologies, the appropriateness of the judgments and assumptions used in management's estimation process for determining the fair value of the intangible assets acquired, including:
  - Tested the consideration paid for the acquisitions.
  - Tested the mathematical accuracy of the calculations performed along with assessing the completeness and accuracy of the information used in the calculations.
  - Evaluated the appropriateness of the valuation methodologies used, as well as the key assumptions and inputs used, including discount rate, risk-free rate, weighted-average cost of capital, and equity risk premium.
  - Performed sensitivity analyses to evaluate the changes in the fair value of the intangible assets that would result from changes in certain assumptions.
  - Compared significant assumptions used by management to current industry and competitor data, comparable Company owned operations, and other areas of the audit.

Goodwill Impairment Evaluation

Critical Audit Matter Description

As described in Note 1 to the consolidated financial statements, the Company tests goodwill for impairment annually, or more frequently if events have occurred or circumstances exist that indicate the carrying amount of goodwill may not be recoverable. The Company performed the optional qualitative assessment to determine whether it was more likely than not (that is a likelihood of more than 50 percent) that the fair value of the reporting units were less than their carrying amounts, including goodwill.

While the impairment test did not result in the recording of any impairment loss, the impairment analysis requires management to make significant judgments in performing its assessment including the evaluation of macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity-specific events, events affecting the reporting units, and trends in the Company's share price.

Auditing management's impairment analysis is complex due to the judgments required to evaluate management's assessment of those factors identified above.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- We tested internal controls over the Company's annual goodwill impairment analysis, including assumptions used by management in conducting its impairment analysis, including controls addressing:
  - Management's assessment of potential triggering events indicating potential impairment
  - Management's identification of reporting units evaluated for potential impairment.
  - Management's assessment of qualitative factors that may indicate potential impairment.
- Substantively tested the appropriateness of the judgments and assumptions used by management in conducting its impairment analysis, including:
  - Confirmed the appropriateness of the reporting units evaluated in performing management's impairment analysis.
  - Evaluated the factors management considered in its qualitative assessment to determine that goodwill was not impaired, including the evaluation of macroeconomic conditions, industry and market conditions, cost factors, the past financial performance of the reporting units, the projected financial performance of the reporting units, other entity-specific events, events affecting the reporting units, and trends in the Company's share price.

Contingent Consideration

Critical Audit Matter Description

As described in Note 2 to the consolidated financial statements, contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates in accordance with ASC 450, *Contingencies*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

The classification and valuation of contingent consideration is complex and judgmental due to the use of subjective assumptions in the valuation models used by management when determining the estimated fair values and the judgment involved to determine whether to classify contingent consideration as a liability or equity. The determination of the fair values of contingent consideration requires management to make significant estimates and assumptions related to forecasts of future revenues, expenses, discount rates, risk-free rates, weighted-average cost of capital, equity risk premium, and the probability of occurrence of certain transactions. As described in Note 2, during 2021, the Company reclassified approximately $27 million of contingent consideration from a liability to equity as it determined that the consideration met the qualifications to be classified within equity upon the number of shares to be issued under the arrangement being fixed in 2019. Additionally, the Company recorded contingent consideration of approximately $99 million for business combinations completed during the year ended December 31, 2021. The fair value of contingent consideration liabilities as of December 31, 2021 was approximately $84 million.

Auditing management's classification and valuation of contingent consideration is complex due to the judgments required to evaluate management's previously noted estimates and assumptions.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- We substantively tested the appropriateness of the judgments and assumptions used by management in conducting its analysis, including confirming the appropriate classification of contingent consideration as either liabilities or equity.
- Substantively tested, with the assistance of firm personnel with experience in the application of fair value and valuation methodologies, the appropriateness of the judgments and assumptions used in management's estimation process for determining the fair value of the contingent consideration upon acquisition and at each reporting date, as applicable, including:
    - Tested the mathematical accuracy of the calculations performed along with assessing the completeness and accuracy of the information used in the calculations.
    - Evaluated the appropriateness of the valuation methodologies used, as well as the key assumptions and inputs used, including the risk-neutral probabilities assigned, equity risk premium, volatility, and projected cash flows related to the contingent consideration.
    - Performed sensitivity analyses to evaluate the changes in the fair value of the contingent consideration that would result from changes in certain assumptions
    - Compared significant assumptions used by management to current industry and competitor data, comparable Company owned operations, and other areas of the audit

As described the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section of our audit report, we have identified a material weakness specific to this matter.

/s/ Baker Tilly US, LLP
We have served as the Company's auditor since 2021.

Chicago, Illinois

March 1, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Green Thumb Industries Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Green Thumb Industries Inc. (the “Company") as of December 31, 2020, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for each of the years in the two year period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020, and the consolidated results of its operations and its cash flows for each of the years in the two year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor from 2019 to 2021.

/s/ Macias Gini & O'Connell LLP
San Francisco, California
March 18, 2021