UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Green Thumb

Commission file number 000-56132

GREEN THUMB INDUSTRIES INC.
(Exact name of registrant as specified in its charter)

British Columbia **(State or other jurisdiction of incorporation or organization)**	**98-1437430** **(I.R.S. employer identification no.)**
325 West Huron Street, **Suite 700 Chicago, Illinois** **(Address of principal executive offices)**	**60654** **(zip code)**

Registrant's telephone number, including area code - (312) 471-6720

Securities registered pursuant to Section 12(g) of the Act:
Subordinate Voting Shares
Multiple Voting Shares
Super Voting Shares
(Title of each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 day. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of February 20, 2023, there were 207,816,253 shares of the registrant's Subordinate Voting Shares, 3,853,100 shares of the registrant's Multiple Voting Shares (on an as converted basis) and 25,169,000 shares of the registrant's Super Voting Shares (on an as converted basis) outstanding.

The aggregate market value of the Subordinate Voting Shares, and Multiple Voting Shares, and Super Voting Shares (on an as converted basis, based on the closing price of these Subordinate Voting Shares on the Canadian Stock Exchange) on June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, held by nonaffiliates was $1,731,448 thousand.

DOCUMENTS INCORPORATED BY REFERENCE

Part I of this Annual Report on Form 10-K incorporates certain information by reference from the Registrant's Amendment No. 2 Registration Statement on Form S-1 (No. 333-248213) to the extent stated herein under the heading "History of the Company."

Part III of this Annual Report on Form 10-K incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2023 General Annual Meeting of Stockholders (the "2023 Proxy Statement"). The 2023 Proxy Statement will be filed by the registrant with the Securities and Exchange Commission not later than 120 days after December 31, 2022, the end of the registrant's fiscal year.

Green Thumb Industries Inc.
Consolidated Balance Sheets
As of December 31, 2022 and December 31, 2021
(Amounts Expressed in Thousands of United States Dollars, Except Share Amounts)

	December 31, 2022	December 31, 2021
	(in thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 177,682	$ 230,420
Accounts Receivable	30,975	22,099
Income Tax Receivable	7,473	—
Inventories	115,675	95,471
Prepaid Expenses	13,364	11,175
Other Current Assets	6,182	5,065
Total Current Assets	351,351	364,230
Property and Equipment, Net	557,873	409,074
Right of Use Assets, Net	242,357	176,327
Investments	74,169	94,902
Investments in Associates	25,508	30,337
Intangible Assets, Net	589,519	675,491
Goodwill	589,691	632,849
Deposits and Other Assets	3,060	2,641
TOTAL ASSETS	$ 2,433,528	$ 2,385,851
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 18,423	$ 14,086
Accrued Liabilities	86,971	84,724
Acquisition Consideration Payable	—	31,732
Compensation Payable	13,476	12,022
Current Portion of Notes Payable	1,037	783
Current Portion of Lease Liabilities	10,906	9,221
Contingent Consideration Payable	11,400	50,284
Income Tax Payable	4,358	1,527
Total Current Liabilities	146,571	204,379
Long-Term Liabilities:		
Lease Liabilities, Net of Current Portion	249,281	182,539
Notes Payable, Net of Current Portion and Debt Discount	274,631	239,151
Contingent Consideration Payable	30,543	33,581
Warrant Liability	4,520	24,877
Deferred Income Taxes	62,550	81,846
TOTAL LIABILITIES	768,096	766,373
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Subordinate Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2022: Unlimited, 206,991,275, and 206,991,275, respectively, at December 31, 2021: Unlimited, 201,768,312, and 201,768,312, respectively)	—	—
Multiple Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2022: Unlimited, 38,531 and 38,531, respectively, at December 31, 2021: Unlimited, 38,531 and 38,531, respectively)	—	—
Super Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2022: Unlimited, 251,690 and 251,690, respectively, at December 31, 2021: Unlimited, 285,031 and 285,031, respectively)	—	—
Share Capital	1,663,557	1,633,672
Contributed Surplus	23,233	21,245
Deferred Share Issuances	36,211	36,262
Accumulated Deficit	(58,085)	(70,063)
Equity of Green Thumb Industries Inc.	1,664,916	1,621,116
Noncontrolling interests	516	(1,638)
TOTAL SHAREHOLDERS' EQUITY	1,665,432	1,619,478
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,433,528	$ 2,385,851

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

Green Thumb Industries Inc.
Consolidated Statements of Operations
Years Ended December 31, 2022, 2021 and 2020
(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Years Ended December 31,		
	2022	**2021** (in thousands)	**2020**
Revenues, Net of Discounts	$ 1,017,375	$ 893,560	$ 556,573
Cost of Goods Sold, Net	(513,412)	(401,631)	(252,404)
Gross Profit	503,963	491,929	304,169
Expenses:			
Selling, General, and Administrative	294,396	277,087	198,062
Impairment of Goodwill and Intangible Assets	88,503	—	—
Total Expenses	382,899	277,087	198,062
Income From Operations	121,064	214,842	106,107
Other Income (Expense):			
Other Expense, Net	4,499	10,677	15,377
Interest Income, Net	4,070	1,432	114
Interest Expense, Net	(21,201)	(21,976)	(18,667)
Total Other Expense	(12,632)	(9,867)	(3,176)
Income Before Provision for Income Taxes And Non-Controlling Interest	108,432	204,975	102,931
Provision For Income Taxes	94,777	124,612	83,853
Net Income Before Non-Controlling Interest	13,655	80,363	19,078
Net Income Attributable to Non-Controlling Interest	1,677	4,927	4,085
Net Income Attributable To Green Thumb Industries Inc.	$ 11,978	$ 75,436	$ 14,993
Net Income Per Share - Basic	$ 0.05	$ 0.34	$ 0.07
Net Income Per Share - Diluted	$ 0.05	$ 0.33	$ 0.07
Weighted Average Number of Shares Outstanding - Basic	236,713,056	223,192,326	210,988,259
Weighted average Number of Shares Outstanding - Diluted	238,080,030	226,758,882	212,531,188

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, 2022, 2021 and 2020
(Amounts Expressed in Thousands of United States Dollars)

	Share Capital	Contributed Surplus (Deficit)	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
			(in thousands)			
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, RSUs 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
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
Stock-based compensation	—	19,600	—	—	—	19,600
Warrants and shares issued in association with note payable	271	24,875	—	—	—	25,146
Shares issued for settlement of business obligation	7,135	—	—	—	—	7,135
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 Changes in Shareholders' Equity
Years Ended December 31, 2022, 2021 and 2020
(Amounts Expressed in Thousands of United States Dollars)

	Share Capital	Contributed Surplus (Deficit)	Deferred Share Issuance	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
			(in thousands)			
Balance, January 1, 2022	$ 1,633,672	$ 21,245	$ 36,262	$ (70,063)	$ (1,638)	$ 1,619,478
Noncontrolling interests adjustment for change in ownership	2,379	(17,735)	—	—	15,356	—
Issuance of shares under business combinations and investments	1,406	—	—	—	—	1,406
Shares issued as contingent consideration	13,111	—	—	—	—	13,111
Indemnification of deferred shares associated with post acquisition costs	—	—	(51)	—	—	(51)
Exercise of options, RSUs and warrants	11,215	(7,393)	—	—	—	3,822
Shares issued for settlement of business obligation	1,774	(24)	—	—	—	1,750
Stock-based compensation	—	27,140	—	—	—	27,140
Distributions to limited liability company unit holders	—	—	—	—	(14,879)	(14,879)
Net income	—	—	—	11,978	1,677	13,655
Balance, December 31, 2022	$ 1,663,557	$ 23,233	$ 36,211	$ (58,085)	$ 516	$ 1,665,432

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, 2022, 2021 and 2020
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income attributable to Green Thumb Industries Inc.	$ 11,978	$ 75,436	$ 14,993
Net income attributable to non-controlling interest	1,677	4,927	4,085
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	96,664	68,458	52,506
Amortization of operating lease assets	43,985	34,124	26,287
Loss on extinguishment of debt	—	10,645	—
Loss on disposal of property and equipment	383	314	31
Impairment of goodwill and intangible assets	88,503	—	—
Impairment of long-lived property and equipment	1,419	4,744	—
Loss (earnings) on equity method investment	4,259	(1,799)	(2,320)
Gain from lease modification	(3,330)	—	—
Bad debt expense	423	488	367
Deferred income taxes	(17,477)	(4,763)	2,095
Stock-based compensation	27,140	19,600	19,337
Decrease (increase) in fair value of investments	11,651	(6,377)	(26,371)
Decrease in fair value of contingent consideration	(29,012)	(8,273)	(8,642)
(Decrease) increase in fair value of warrants	(20,357)	(14,577)	23,002
Shares issued for settlement of business obligation	1,750	7,135	—
Fair value adjustment on note receivable	—	—	816
Amortization of debt discount	9,174	7,235	5,159
Changes in operating assets and liabilities:			
Accounts receivable	(9,264)	(646)	(14,252)
Inventories	(19,791)	(16,439)	(23,377)
Prepaid expenses and other current assets	(3,222)	(4,863)	230
Deposits and other assets	(419)	(749)	756
Accounts payable	3,571	(9,525)	11,674
Accrued liabilities	2,361	10,165	18,684
Operating lease liabilities	(38,258)	(28,597)	(17,682)
Income tax receivable and payable, net	(5,244)	(14,615)	8,540
NET CASH PROVIDED BY OPERATING ACTIVITIES	**158,564**	**132,048**	**95,918**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(179,500)	(187,850)	(59,797)
Proceeds from disposal of property and equipment	869	109	11,799
Investments in securities and associates	(5,804)	(79,050)	(525)
Proceeds from equity investments and notes receivable	3,571	18,417	170
Settlement of acquisition consideration payable	(31,732)	—	—
Purchase of businesses, net of cash acquired	(7,350)	(32,356)	(8,921)
NET CASH USED IN INVESTING ACTIVITIES	**(219,946)**	**(280,730)**	**(57,274)**
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from limited liability company unit holders	—	1,675	50
Distributions to limited liability company unit holders	(14,879)	(11,028)	(2,789)
Contributions from unconsolidated subsidiaries	550	—	—
Net proceeds from issuance of registered shares pursuant to Form S-1	—	155,498	—
Proceeds from exercise of options and warrants	3,822	14,260	1,640
Payment for purchase of noncontrolling interest	—	—	(150)
Proceeds from issuance of notes payable	20,101	208,700	—
Principal repayment of notes payable	(950)	(70,507)	(304)
Prepayment penalty and other costs associated with refinancing	—	(3,254)	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**8,644**	**295,344**	**(1,553)**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(52,738)	146,662	37,091
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF PERIOD	230,420	83,758	46,667
CASH, CASH EQUIVALENTS AND RESTRICTED CASH END OF PERIOD	**$ 177,682**	**$ 230,420**	**$ 83,758**

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, 2022, 2021 and 2020
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 18,552	$ 15,311	$ 12,762
NONCASH INVESTING AND FINANCING ACTIVITIES			
Accrued capital expenditures	$ 887	$ 22,096	$ (2,029)
Noncash increase in right of use asset	$ (74,996)	$ (27,035)	$ (79,085)
Noncash increase in lease liability	$ 74,996	$ 27,035	$ 79,085
Warrant issuance associated with note payable	$ —	$ 25,145	$ 754
Mortgages associated with operating properties	$ 7,350	$ 6,830	$ 3,607
Liability for purchase of noncontrolling interest	$ —	$ —	$ (5,350)
Liability associated with acquisition agreement	$ —	$ —	$ 2,000
Shares issued for purchase of noncontrolling interest	$ 2,379	$ 4,070	$ —
Issuance of shares associated with contingent consideration	$ 13,111	$ 33,472	$ 22,486
Deferred share issuances	$ —	$ 37,565	$ 752
Deferred share distributions	$ —	$ (3,890)	$ (14,752)
Issuance of shares under business combinations	$ 1,406	$ 343,303	$ 4,619
Acquisitions			
Inventories	$ 412	$ 9,489	$ 131
Accounts receivable	34	527	—
Prepaid expenses	72	1,117	17
Property and equipment	738	30,789	264
Right of use assets	743	19,003	119
Identifiable Intangible assets	4,816	314,457	6,182
Goodwill	14,214	250,152	7,612
Deposits and other assets	12	1,031	611
Liabilities assumed	(1,222)	(13,692)	(1,520)
Lease liabilities	(743)	(19,003)	(119)
Notes Payable	—	(5,627)	—
Noncontrolling interests	17,735	—	—
Contingent liabilities	(200)	(98,500)	—
Equity interests issued	(3,785)	(374,244)	(5,097)
Fair value of previously held equity interest	(11,336)	—	—
Cash consideration payable	—	(32,092)	—
Deferred income taxes	1,216	(51,051)	720
Settlement of noncontrolling interests	(15,356)	—	—
	$ 7,350	**$ 32,356**	**$ 8,920**
ADDITIONAL SUPPLEMENTAL INFORMATION			
Decrease (increase) in fair value of investments	$ 22,606	$ (6,377)	$ (26,371)
Increase in fair value of equity method investments	(10,955)	—	—
TOTAL DECREASE (INCREASE) IN FAIR VALUE OF INVESTMENTS	**$ 11,651**	**$ (6,377)**	**$ (26,371)**

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

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

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 &Shine, 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, 2022, Green Thumb has revenue in fifteen markets (California, Colorado, Connecticut, Florida, Illinois, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Ohio, Pennsylvania, Rhode Island and Virginia), employs approximately 3,800 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, 2022, 2021 and 2020 (the "Consolidated Financial Statements"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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, 2022, 2021 and 2020 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.

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, 2022 and 2021:

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, 2022:

Subsidiaries	Ownership	Jurisdiction	Purpose
JB17, LLC	100%	Maryland	Management company
GTI-Clinic Illinois Holdings, LLC	100%	Illinois	License holder
ILDISP, LLC	100%	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.	100%	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, 2022 and 2021 the Company recorded approximately $928 thousand and $643 thousand, respectively, in allowance for doubtful accounts. During the years ended December 31, 2022, 2021 and 2020, the Company recorded bad debt expense of $423 thousand, $488 thousand and $367 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.

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

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 years ended December 31, 2022 and 2021, the Company recorded an impairment charge of $1,419 thousand and $4,744 thousand respectively, within selling, general, and administrative expenses on the consolidated statement of operations. No such impairment charges were recorded during the year ended December 31, 2020.

(k) Note Receivable and Investments

Convertible notes investments and investments in equity of private companies are classified as financial assets at fair value. 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, 2022:

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.

During 2022, management determined that certain tradenames associated with the 2019 acquisition of Integral Associates, LLC should be written off as the Company has made plans to re-brand the Essence retail stores acquired as part of that transaction, into RISE retail stores along with a decision to no longer produce the Desert Grown Farms brand. As of December 31, 2022, the Company recorded an impairment charge of $31,131 thousand associated with these intangible assets.

No such impairment charges were recorded during the years ended December 31, 2021 or 2020.

(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 October 1, 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 *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.

During 2022, the Company's evaluated its existing reporting units under the accounting guidance provided in *ASC 280, Segment Reporting*, and determined that the individual components within each respective segment were economically similar and thus, aggregation of these components into two reporting units that align with our reportable segments, should be applied. Subsequent to October 1, 2022, the Company aggregated each of the components into two reporting units (Retail and Consumer Packaged Goods).

As part of the Company's aggregation of the 30 reporting units that existed prior to October 1, 2022, the accounting guidance required the reporting units be tested for impairment through a Step 1 quantitative analysis prior to aggregation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Goodwill (Continued)

The analysis performed included estimating the fair value of each reporting unit using either an income or market approach. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows, discount rates, the allocation of shared or corporate costs and the eventual repeal of 280E. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of fair value in the quantitative assessment requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include but are not limited to: the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization and capital expenditures.

As a result, for the year ended December 31, 2022, the Company recognized an impairment charge of $44,392 thousand associated with its Nevada Consumer Packaged Goods operations and $12,980 thousand associated with its Nevada Retail operations as the carrying values of the reporting units exceeded the estimated fair value by such amounts. No such impairment charges were recorded for the years ended December 31, 2021 or 2020.

(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.

(o) Revenue Recognition

Revenue is recognized by the Company in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”).* 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).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue Recognition (Continued)

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, 2022, 2021 and 2020, sales discounts totaled $167,288 thousand, $83,851 thousand and $48,442 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.

At some locations, the Company offers a loyalty reward program to its retail 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, 2022 and 2021, the loyalty liability totaled $4,871 thousand and $3,986 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 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Fair Value of Financial Instruments (Continued)

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 *ASC 740, Income Taxes*.

(t) Earnings per Share

Basic earnings per share is calculated using the treasury stock method, by dividing the net earnings 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 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, options and warrants. As of December 31, 2022, the Company had 9,577,947 options, 947,502 RSUs and 3,734,555 warrants outstanding. 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.

In order to determine diluted earnings per share, it is assumed that any proceeds from the exercise of dilutive unvested RSUs, 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 options and convertible debt that would increase earnings per share or decrease loss per share. For the year ended December 31, 2022, the computation of diluted earnings per share included 1,001,835 options, 243,194 RSUs and 121,945 warrants. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Earnings per Share (Continued)

For the years ended December 31, 2022, 2021, and 2020 the weighted average number of anti-dilutive options excluded from the computation of diluted earnings per share were 1,895,273; 626,930; and 580,672, respectively.

(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, 2022, 2021, and 2020, there were no significant transactions in currencies other than US Dollars.

(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 years ended December 31, 2022 and 2021, the Company recorded impairment charges associated with long-lived fixed assets of $1,419 thousand and $4,744 thousand respectively, within selling, general, and administrative expenses on the consolidated statement of operations. No such impairment charges were recorded during the year ended December 31, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 judgment 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

During 2022, the Company evaluated its existing reporting units under the accounting guidance provided in *ASC 280, Segment Reporting*, and determined that the individual components within each respective segment were economically similar and thus, aggregation of these components into two reporting units that align with our reportable segments, should be applied. Beginning October 1, 2022, the Company identified two reporting units (Retail and Consumer Packaged Goods).

As part of the Company's aggregation of the 30 reporting units that existed prior to October 1, 2022, the accounting guidance required the reporting units be tested for impairment through a Step 1 quantitative analysis prior to aggregation to determine if any of the reporting units was impaired.

The analysis performed included estimating the fair value of each reporting unit using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows, discount rates and the allocation of shared or corporate costs. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of fair value in the quantitative assessment requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, capital expenditures and the eventual repeal of 280E.

As a result of the Company's goodwill impairment analysis, the Company determined two of the reporting units were impaired. See Note 6—Intangible Assets and Goodwill for additional detail.

(vi) Determination of Reporting Units

The Company’s assets are aggregated into two reportable segments Retail and Consumer Packaged Goods. During 2022, the Company’s evaluated its existing reporting units under the accounting guidance provided in *ASC 280, Segment Reporting*, and determined that the individual components within each respective segment were economically similar and thus, aggregation of these components into two reporting units that align with our reportable segments, should be applied. Beginning October 1, 2022, the Company identified two reporting units (Retail and Consumer Packaged Goods).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Significant Accounting Judgment, 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) New and Revised Standards (Continued)

(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 ASU are effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this standard did not 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. During 2022, the Company's revenue, gross profit and operating income were not negatively impacted by COVID-19 and the Company generally maintained the consistency of its operations. However, the uncertain nature of the spread of COVID-19 may impact its business operations for reasons including the potential quarantine of Green Thumb employees or those of its supply chain partners.

3. INVENTORIES

The Company's inventories include the following at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
	(in thousands)	
Raw Material	$ 3,070	$ 5,278
Packaging and Miscellaneous	9,847	8,622
Work in Process	57,287	42,403
Finished Goods	49,268	41,069
Reserve for Obsolete Inventory	(3,797)	(1,901)
Total Inventories	**$ 115,675**	**$ 95,471**

4. PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, property and equipment consisted of the following:

	December 31, 2022	December 31, 2021
	(in thousands)	
Buildings and Improvements	$ 176,874	$ 101,283
Equipment, Computers and Furniture	122,568	83,281
Leasehold Improvements	135,524	114,303
Land Improvements	847	607
Capitalized Interest	16,934	6,523
Total Property and Equipment	**452,747**	**305,997**
Less: Accumulated Depreciation	(80,702)	(45,198)
Property and Equipment, net	372,045	260,799
Land	29,106	20,258
Assets Under Construction	156,722	128,017
Property and Equipment, net	**$ 557,873**	**$ 409,074**

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, 2022, 2021 and 2020 totaled $37,006 thousand, $23,250 thousand and $15,479 thousand, respectively, of which $24,117 thousand, $14,301 thousand and $8,283 thousand, respectively, is included in cost of goods sold.

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) 2022 Business Acquisitions

On March 1, 2022, the Company acquired the remaining 50% ownership interests of ILDISP, LLC ("ILDISP") from the Company's former membership interest partner for the purposes of expanding the Company's operational capacity in the Illinois market. Prior to March 1, 2022, one of the two retail stores owned by ILDISP, RISE Effingham, was consolidated by Green Thumb as the Company was determined to be the primary beneficiary of the variable interest entity. The other retail store was accounted for as an equity method investment given the Company's 50% ownership interest and its ability to significantly influence that store's operations.

The total consideration exchanged included $18,623 thousand in cash, which included $250 thousand in deferred consideration, which was paid in September 2022, along with 204,036 Subordinate Voting Shares of Green Thumb valued at $3,785 thousand, based on the fair value of the securities on their date of issuance, which was the closing price of Green Thumb's Subordinate Voting Shares as traded on the Canadian Securities Exchange ("CSE") on the date of the transaction.

The Company allocated the total consideration exchanged to each of the acquired retail stores. Accordingly, the consideration allocated to RISE Effingham was approximately $11,857 thousand in cash along with 128,218 Subordinate Voting Shares of Green Thumb that had a fair value on the date of issuance of $2,379 thousand. The remaining equity associated with the Company's purchase of the noncontrolling interest was closed to contributed surplus (deficit) of Green Thumb as of March 1, 2022.

The equity method investment associated with the other retail store owned by ILDISP was remeasured at fair value of $11,336 thousand as of the date of the transaction, and resulted in a gain on the fair value of the equity method investment of $10,955 thousand, which was recorded in other income (expense) on the consolidated statement of operations. The Company, with the assistance of an external valuation expert, measured the fair value of the equity method investment utilizing a market approach as of the date of acquisition. Significant inputs included the equity method investments projected EBITDA for the year ended December 31, 2022, along with selected market multiples.

In addition to the fair value of the equity method investment of $11,336 thousand, which was included as part of the consideration exchanged, the Company allocated consideration of $6,766 thousand in cash along with 75,818 Subordinate Voting Shares of Green Thumb, with a fair value of $1,406 thousand, to the acquisition of the other retail store.

After completing the preliminary allocation of the aggregate consideration exchanged for the assets acquired and liabilities assumed, the Company recorded a license intangible asset of $14,000 thousand and non-tax deductible goodwill of $4,697 thousand. Other assets acquired and liabilities assumed were not material. The weighted average amortization period for the license intangible is 15 years. Acquisition related expenses associated with the transaction were not material.

During 2022, the Company finalized the purchase price allocation associated with the March 1, 2022 acquisition of ILDISP. The Company remeasured the assets acquired and liabilities assumed with the assistance of an external valuation expert, which resulted in a reduction to the license intangible of $143 thousand and a corresponding increase in the value of goodwill.

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

5. ACQUISITIONS *(Continued)*

(b) 2021 Business Acquisitions

During 2022, the Company finalized the purchase price allocations associated with the 2021 acquistions of Summit Medical Compassion Center, Inc., GreenStar Herbals Inc. ("GreenStar"). MDHWC Management Corp. and LeafLine Industries, LLC ("LeafLine"). The Company remeasured the assets acquired and liabilities assumed with the assistance of an external valuation expert. The following table summarizes the final purchase price allocations:

	Leafline Industries, LLC	Summit Medical Compassion Center, Inc.	Other
Cash	$ 959	$ 1,143	$ 520
Inventory	3,245	1,829	2,264
Accounts receivable	31	1	—
Prepaid expenses	705	105	117
Property and equipment, net	14,525	3,243	7,325
Right-of-use asset, net	594	210	1,713
Deposits and other assets	127	68	235
Intangible assets, net:			
Licenses and permits	83,000	57,000	36,600
Liabilities assumed	(2,690)	(4,407)	(6,089)
Lease liabilities	(594)	(210)	(1,713)
Notes payable	(5,627)	—	—
Deferred income tax liabilities	—	(14,939)	(9,747)
Total identifiable net assets	94,275	44,043	31,225
Goodwill (non-tax deductible)	—	65,231	36,124
Goodwill (tax deductible)	63,203	—	—
Net assets	**$ 157,478**	**$ 109,274**	**$ 67,349**

The weighted-average amortization period for the license 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.

5. ACQUISITIONS *(Continued)*

(b) 2021 Business Acquisitions (Continued)

(i) 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. During 2022, the Company remeasured the contingent consideration on a quarterly basis until it became evident that the earnings targets would not be achieved. As a result, as of December 31, 2022, the Company recorded a total of $29,400 thousand in fair value adjustments, which were recorded, net, within selling, general and administrative expenses on the consolidated statement of operations. See Note 15—Fair Value Measurements for additional detail.

(ii) 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 thousand 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. During 2022, the Company remeasured the contingent consideration on a quarterly basis until it became evident that the revenue metrics would not be achieved. As a result, as of December 31, 2022, the Company recorded $5,800 thousand in fair value adjustments, which were recorded, net, within selling, general and administrative expenses on the consolidated statement of operations. See Note 15—Fair Value Measurements for additional detail.

(iii) 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.

On September 23, 2022, Green Thumb received approval from the Maryland Cannabis Commission to exercise our option to purchase all of the outstanding shares held by the former owner of Maryland Health and Wellness Center Inc. in exchange for $30 thousand in cash. The exercise of this option also resulted in the termination of the MSA that was in place since the date of acquisition.

(iv) 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.

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, 2022 and 2021, intangible assets consisted of the following:

	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Book Value	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Book Value
Licenses and Permits	$ 660,716	$ 113,800	$ 546,916	$ 655,900	$ 69,812	$ 586,088
Trademarks	41,511	10,486	31,025	98,936	25,096	73,840
Customer Relationships	24,438	13,435	11,003	24,438	9,944	14,494
Non-Competition Agreements	2,565	1,990	575	2,565	1,496	1,069
Total Intangible Assets	**$ 729,230**	**$ 139,711**	**$ 589,519**	**$ 781,839**	**$ 106,348**	**$ 675,491**

The Company recorded amortization expense for the years ended December 31, 2022, 2021 and 2020 of $59,658 thousand, $45,208 thousand and $37,027 thousand, respectively.

On an annual basis, the Company reviews the estimated useful lives, residual values and amortization methods used for each identifiable intangible asset acquired. During the 2022 annual review, management determined that certain tradenames associated with the 2019 acquisition of Integral Associates, LLC should be written off as the Company has made plans to re-brand the Essence retail stores acquired as part of that transaction, into RISE retail stores along with a decision to no longer produce the Desert Grown Farms brand. As a result, as of December 31, 2022, the Company recorded an impairment charge of $31,131 thousand associated with these intangible assets.

No such impairment charges were recorded during the years ended December 31, 2021 or 2020.

The following table outlines the estimated annual amortization expense related to intangible assets as of December 31, 2022:

Year Ending December 31,	Estimated Amortization (in thousands)
2023	$ 50,840
2024	50,392
2025	50,294
2026	47,332
2027	46,803
2028 and Thereafter	343,858
	$ 589,519

As of December 31, 2022, the weighted average amortization period remaining for intangible assets was 12.30 years.

6. INTANGIBLE ASSETS AND GOODWILL *(Continued)*

(b) Goodwill

At December 31, 2022 the balances of goodwill, by segment, consisted of the following:

	Retail	Consumer Packaged Goods	Total
		(in thousands)	
As of January 1, 2022	$ 274,811	$ 358,038	$ 632,849
Acquisition of ILDISP, LLC	4,697	—	4,697
Adjustments to Preliminary Purchase Price Allocations	7,274	2,243	9,517
Impairment of Goodwill	(12,980)	(44,392)	(57,372)
As of December 31, 2022	**$ 273,802**	**$ 315,889**	**$ 589,691**

During the year ended December 31, 2022, the Company evaluated its existing reporting units under the accounting guidance provided in *ASC 280, Segment Reporting* and determined that the individual components within each respective segment were economically similar and thus, aggregation of these components into two reporting units that align with our reportable segments, should be applied. Beginning October 1, 2022, the Company identified two reporting units (Retail and Consumer Packaged Goods).

As part of the Company's aggregation of the 30 reporting units that existed prior to October 1, 2022, the accounting guidance required the reporting units be tested for impairment through a Step 1 quantitative analysis prior to aggregation. As a result of the goodwill impairment test, the Company recognized an impairment charge of $44,392 thousand associated with its Nevada Consumer Packaged Goods operations and $12,980 thousand associated with its Nevada Retail operations as the carrying values of the reporting units exceeded the estimated fair value by such amounts. No such impairment charges were recorded for the years ended December 31, 2021 or 2020.

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

	Retail	Consumer Packaged 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**

7. INVESTMENTS

As of December 31, 2022 and 2021, the Company held various equity interests in cannabis companies as well as investments in convertible notes that had a combined fair value of $74,169 thousand and $94,902 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, 2022 and 2021:

	December 31, 2022	December 31, 2021
	(in thousands)	
Beginning	$ 94,902	$ 40,795
Additions	5,444	83,689
Disposals	(3,571)	(18,417)
Fair value adjustment	(22,606)	6,377
Transfers out	—	(17,542)
Ending	**$ 74,169**	**$ 94,902**

For the year ended December 31, 2022, the Company recorded net fair value losses of $22,606 thousand, of which $17,078 thousand related to equity investments, and $6,192 thousand related to note receivable investments that were recorded within other income (expense), and accrued interest of $664 thousand that was recorded to interest income on the consolidated statement of operations.

For the year ended December 31, 2021, the Company recorded net fair value gains of $6,377 thousand, of which $5,955 thousand related to equity investments and was recorded within other income (expense), and accrued interest of $422 thousand that was recorded to interest income on the consolidated statement of operations.

For the year ended December 31, 2020, the Company recorded net fair value gains of $26,371 thousand within other income (expense) on the consolidated statement of operations.

(a) Equity Investments

For the years ended December 31, 2022 and 2021, the Company held equity investments in publicly traded entities which have readily determinable fair values, which are classified as Level 1 investments, of $2,535 thousand and $20,583 thousand, respectively. During the years ended December 31, 2022, 2021 and 2020, the Company received proceeds from the sale of such investments of $2,488 thousand, $18,417 thousand and $170 thousand, respectively. The Company recorded net (losses) gains on the change in fair value of such investments of $(15,560) thousand, $828 thousand and $423 thousand during the years ended December 31, 2022, 2021 and 2020, 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.

For the years ended December 31, 2022 and 2021, 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 $40,330 thousand and $33,066 thousand, respectively. There were no sales of these investments during the years ended December 31, 2022, 2021 and 2020. The Company recorded net (losses) gains on the change in fair value of such investments of $(1,518) thousand, $5,127 thousand and $25,948 thousand during the years ended December 31, 2022, 2021 and 2020, 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.

7. INVESTMENTS *(Continued)*

(a) Equity Investments *(Continued)*

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. No such transfers occurred during the year ended December 31, 2022.

Unrealized gains and (losses) recognized on equity investments held during the years ended December 31, 2022, 2021 and 2020 were $(16,910) thousand, $6,377 thousand, and $26,371 thousand, respectively.

(b) Note Receivable Instruments

As of December 31, 2022 and 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 $22,214 thousand and $23,534 thousand, respectively. During the year ended December 31, 2022, the Company recorded net losses on the change in fair value of such investments of $237 thousand, within other income (expense) on the consolidated statement of operations. There were no gains or (losses) recognized on these investments during the year ended December 31, 2021. The Company received proceeds from the partial principal repayment of the note receivable of $1,083 thousand during the year ended December 31, 2022. 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 trading securities on the Company's consolidated balance sheet.

As of December 31, 2022 and 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 $9,090 thousand and $17,719 thousand, respectively, with stated interest ranging between 0.91% - 10% and terms between 15 months to five years. During the years ended December 31, 2022 and 2021, the Company recorded net losses on the change in fair value of such investments of $5,955 thousand and $0 thousand, respectively, within other income (expense). The combined fair value amounts include the initial investment cost and combined contractual accrued interest of $664 thousand and $422 thousand for the years ended December 31, 2022 and 2021. These notes are classified as trading securities on the Company's consolidated balance sheet.

See Note 15—Fair Value Measurements for additional details.

8. LEASES

(a) Operating Leases

The Company has operating leases for its retail stores and processing and cultivation facilities located throughout the U.S., as well as for corporate office space in Illinois. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date.

All real estate leases are recorded on the balance sheet. Equipment and other non-real estate leases with an initial term of twelve months or less are not recorded on the balance sheet. Lease agreements for some locations provide for rent escalations and renewal options. Certain real estate leases require payment for fixed and variable non-lease components, such as taxes, insurance and maintenance. 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, 2022, 2021 and 2020 the Company recorded operating lease expense of $43,985 thousand, $34,124 thousand and $26,287 thousand, respectively.

Other information related to operating leases as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Weighted average remaining lease term (years)	11.64	11.82
Weighted average discount rate	12.42%	13.60%

Maturities of lease liabilities for operating leases as of December 31, 2022 were as follows:

	Maturities of Lease Liability		
Year Ending December 31,	Third Party	Related Party	Total
		(in thousands)	
2023	$ 42,215	$ 569	$ 42,784
2024	42,220	437	42,657
2025	39,919	343	40,262
2026	38,231	350	38,581
2027	38,519	357	38,876
2028 and Thereafter	347,404	1,728	349,132
Total Lease Payments	548,508	3,784	552,292
Less: Interest	(290,638)	(1,467)	(292,105)
Present Value of Lease Liability	**$ 257,870**	**$ 2,317**	**$ 260,187**

(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 owned 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 Chariman and Chief Executive Officer of the Company (through KP Capital, LLC), and Anthony Georgiadis, the President and a director of the Company (through Three One Four Holdings, LLC). On December 16, 2022, the Company purchased land located at 5401 NW 44th Ave. Ocala, Florida for $5,584 thousand, excluding transaction costs, from Mosaic Real Estate Ocala, LLC. This transaction resulted in the termination of the Florida related party leasing agreement. For the years ended December 31, 2022, 2021 and 2020, the Company recorded lease expense of $1,129 thousand, $1,185 thousand and $1,500 thousand respectively, associated with these leasing arrangements.

8. LEASES *(Continued)*

(c) Sales Lease Back Transactions

(i) Danville Cultivation and Processing Facility

On November 12, 2019, the Company closed a sale and lease back transaction to sell its Danville, Pennsylvania cultivation and processing facility to Innovative Industrial Properties, Inc. ("IIP").

On June 29, 2022 the Company amended (the "Amendment") its original lease agreement with IIP. The Amendment provided an additional tenant improvement allowance of $55,000 thousand to be used on enhancements to the facility. In addition to the tenant improvement allowance of $19,300 thousand received in November 2019, the total tenant improvement allowance provided by IIP was $74,300 thousand, and brings IIP's total investment in the property to $94,600 thousand. The Amendment to the lease was treated as a modification and resulted in a gain of $3,061 thousand as well as an increase in the right of use asset and related lease liability to $81,720 thousand.

(ii) 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 leased back the facility and continued 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 amended 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 had 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.

(iii) 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 leased back the facility and continued to operate and manage it. The purchase price for the property was $9,000 thousand, excluding transaction costs. Since the closing of the transaction on March 6, 2020, the Company has made various improvements to the property that has significantly enhanced production capacity, for which IIP reimbursed the Company $41,000 thousand. 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, 2022 and 2021, notes payable consisted of the following:

	December 31, 2022	December 31, 2021
	(in thousands)	
Charitable Contributions[1]	$ 764	$ 1,238
Private placement debt dated April 30, 2021[2]	237,795	228,690
Mortgage notes[3]	37,109	10,006
Total notes payable	275,668	239,934
Less: current portion of notes payable	(1,037)	(783)
Notes payable, net of current portion	**$ 274,631**	**$ 239,151**

[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 $250 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] The April 30, 2021 private placement debt was issued in an original amount of $249,934 thousand with an interest rate of 7%, maturing on April 30, 2025. The debt was issued at a discount, the carrying value of which was $12,139 thousand and $21,244 thousand as of December 31, 2022 and 2021, respectively.

[3] Mortgage notes, with an intial value of $38,292 thousand and $10,437 thousand, were issued by the Company in connection with various operating properties, and were recorded at such gross value as of December 31, 2022 and 2021, respectively. The mortgage notes were issued at a discount, the carrying value of which was $437 thousand and $162 thousand, and are presented net such discount and principal payments of $746 thousand and $269 thousand as of December 31, 2022 and 2021, respectively.

Annual maturities of debt related to mortgage notes for the five fiscal years subsequent to December 31, 2022 are: 2023 - $632 thousand; 2024 - $19,011 thousand; 2025 - $2,089 thousand; 2026 - $657 thousand; and 2027 - $696 thousand.

(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 had an initial maturity date of April 30, 2024 and bore interest from the date of issue of 7.00% per annum, payable quarterly. The financing permitted the Company to borrow an additional $33,266 thousand over the twelve months following the closure of the private placement financing. The purchasers of the April 30, 2021 Notes also received 1,459,044 warrants (the “Warrants”) each of which allowed the holders 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 issuance.

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 applicable accounting guidance required the Company to evaluate whether, prior to and following the refinancing, creditors remained consistent with the original creditors from the May 22, 2019 private placement financing, 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.

9. NOTES PAYABLE *(Continued)*

(a) April 30, 2021 Private Placement Financing *(Continued)*

On October 15, 2021, the Company amended its existing Notes Purchase Agreement for the April 30, 2021 Notes, for the purposes of borrowing an additional $33,200 thousand (issued as "Amended Notes"), as permitted under the April 30, 2021 Second Amendment to the Notes Purchase Agreement dated April 30, 2021. The additional borrowings had terms consistent with the April 30, 2021 Notes and increased the total amount borrowed to $249,934 thousand. The Company used 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 included 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, 2022 and 2021, the Company was in compliance with all covenants.

On July 14, 2022, the Company exercised its right to extend the maturity date of the Notes by one year from April 30, 2024 to April 30, 2025. The extension to the maturity date did not involve any amendment to the April 30, 2021 Notes or any additional consideration to the existing lenders.

(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 Chairman and Chief Executive Officer 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 President and a director of the Company (held through Three One Four Holdings, LLC); and Anthony Georgiadis and William Gruver, a former director of the Company (held through ABG, LLC).

(c) Construction-to-Permanent Financing Arrangement

On October 12, 2022, the Company entered into a construction-to-permanent financing arrangement (the "Construction Loan") which provided funding for the construction of a cultivation and processing facility in the amount of up to $31,000 thousand, which, as of December 31, 2022, the Company has drawn $18,345 thousand on the facility. The Construction Loan bears interest of U.S. prime rate plus 1%, with a floor of 5%, and matures upon the earlier of the completion of the construction, or 24 months. Interest only payments became due on the first of each month beginning on November 1, 2022. Upon maturity, the Construction Loan will convert to a 10 year mortgage note with a fixed interest rate of 3% over the weekly average yield of the U.S. treasury securities adjusted to a constant maturity of five years, with a floor of 5%. Payments of both principal and interest will be due on the first day of each calendar month following conversion.

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, 2022 and 2021:

	Liability Classified				Equity Classified			
	Number of Shares		Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life	Number of Shares		Weighted Average Exercise Price (USD)	Weighted Average Remaining Contractual Life
Balance as of December 31, 2021	2,097,931	C$	18.26	2.42	1,737,347	$	31.83	4.38
Warrants Issued	—		—	—	—		—	—
Warrants Exercised	—		—	—	—		—	—
Warrants Expired	(100,723)		—	—	—		—	—
Balance as of December 31, 2022	1,997,208	C$	18.03	1.50	1,737,347	$	31.83	3.38

(a) Liability Classified Warrants Outstanding

The following table summarizes the fair value of the liability classified warrants at December 31, 2022 and 2021:

Warrant Liability	Strike Price	Warrants Outstanding	Fair Value December 31, 2022	Fair Value December 31, 2021	Change
			(in thousands)		
Bridge Financing Warrants Issued April 2019	C$22.90	—	$ —	$ 676	$ (676)
Private Placement Financing Warrants Issued May 2019	C$19.39	1,606,533	3,125	18,527	(15,402)
Modification Warrants Issued November 2019	C$12.04	316,947	1,139	4,603	(3,464)
Additional Modification Warrants Issued May 2020	C$14.03	73,728	256	1,071	(815)
Totals		**1,997,208**	**$ 4,520**	**$ 24,877**	**$ (20,357)**

During the years ended December 31, 2022, 2021 and 2020, the Company recorded gains of $20,357 thousand and $14,577 thousand, and losses of $23,002 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, 2022	December 31, 2021
Volatility	70.44% - 78.21%	59.95% - 74.04%
Remaining Term	1.39 - 2.39 years	0.78 - 3.39 years
Risk Free Rate	3.82% - 4.07%	0.91% - 1.06%

10. WARRANTS *(Continued)*

(b) Equity Classified Warrants Outstanding

The Company's equity classified warrants were recorded at fair value at each respective date of issuance. Equity classified warrants are not remeasured at fair value on a recurring basis and are carried at their issuance date fair value. The following table summarizes the carrying amounts of the Company's equity classified warrants at December 31, 2022 and 2021:

Warrants Included in Contributed Surplus	Strike Price	Warrants Outstanding	Issuance Date Fair Value December 31, 2022 (in thousands)	Issuance Date Fair Value December 31, 2021 (in thousands)
Mortgage Warrants Issued June 2020	$ 9.10	35,000	$ 181	$ 181
Private Placement Refinance Warrants Issued April 2021	$ 32.68	1,459,044	22,259	22,259
Private Placement Refinance Warrants Issued October 2021	$ 30.02	243,303	2,616	2,616
Totals		**1,737,347**	**$ 25,056**	**$ 25,056**

The equity classified 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 equity classified 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, 2022, the shareholders of the Company converted 33,341 Multiple Voting Shares into 3,334,100 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, 2022, 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, 2022, the shareholders of the Company converted 33,341 Super Voting Shares into 33,341 Multiple Voting Shares and 33,341 Multiple Voting Shares into 3,334,100 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 one Multiple Voting Share, which is then convertible into 100 Subordinate Voting Shares. At December 31, 2022, the Company had 251,690 issued and outstanding Super Voting Shares which convert into 25,169,000 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Super Voting Shares. During the year ended December 31, 2022, the shareholders of the Company converted 33,341 Super Voting Shares into 33,341 Multiple 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, 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**
As at January 1, 2022	201,768,312	38,531	285,031
Issuance of shares under business combinations and investments	204,036	—	—
Distribution of contingent consideration	667,080	—	—
Issuance of shares upon exercise of options and warrants	441,454	—	—
Issuances of shares upon vesting of RSUs	433,341	—	—
Shares issued for settlement of business obligation	142,952	—	—
Exchange of shares	3,334,100	—	(33,341)
As at December 31, 2022	**206,991,275**	**38,531**	**251,690**

(i) Issuance of Shares Under Business Combinations and Investments

ILDISP, LLC

On March 1, 2022, the Company issued 204,036 Subordinate Voting Shares with a value of approximately $3,785 thousand, based on a 20 consecutive day volume weighted average price ("VWAP"), in connection with the Company's acquisition of the remaining ownership interests in two Illinois-based retail stores. The shares issued resulted in an increase in the Company's share capital and a corresponding increase in the net assets acquired. 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 store licenses. The shares had a combined fair value of $17,869 thousand, which was recorded in share capital on the consolidated balance sheet. As of December 31, 2022 and 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 stores 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 store in Virginia. The shares had a fair value of $5,949 thousand on the date of issuance. On February 25, 2022, the Company issued 667,080 Subordinate Voting Shares to the former owners of Dharma in connection with the successful opening of two Retail stores in Virginia. The shares had a fair value of $13,111 thousand at the date of issuance.

As of December 31, 2022 and 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 $41,943 thousand and $48,665 thousand, respectively, of which $11,400 thousand and $20,884 thousand, respectively, 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 cancellation 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 to 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	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Balance as of December 31, 2021	5,383,275	$14.02	3.59	$48,803
Granted	5,434,092	10.92	6.45	
Exercised	(441,454)	8.45		2,390
Forfeited	(797,966)	$11.80		
Balance as of December 31, 2022	9,577,947	$12.71	4.80	$26,961
Vested	5,618,105	$9.71		
Exercisable of December 31, 2022	3,364,644	$11.87	2.68	$7,793

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, 2022 and 2021, 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, 2022 and 2021, respectively. 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, 2022, 2021 and 2020:

	Years Ended December 31, 2022	2021	2020
Weighted average grant date fair value (per share) of stock option units granted	$5.37	$14.47	$4.76
Intrinsic value of stock option units exercised, using market price at vest date *(in thousands)*	$2,390	$18,142	$1,184

The Company used the Black-Scholes Option Pricing model to estimate the fair value of the options granted during the years ended December 31, 2022 and 2021, using the following ranges of assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	1.18% - 3.54%	0.33% - 1.39%
Expected dividend yield	0%	0%
Expected volatility	60 - 64%	73%
Expected option life	3 – 4.5 years	3 – 3.5 years

As permitted under *ASC 718, Stock Compensation*, 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, 2022 and 2021 and the changes during the year ended December 31, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Shares at December 31, 2021	376,127	$ 15.55
Granted	1,163,372	17.84
Forfeited	(158,656)	18.79
Vested	(433,341)	15.36
Unvested Shares at December 31, 2022	947,502	$ 17.91

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, 2022, 2021 and 2020:

	Years Ended December 31, 2022	2021	2020
Weighted average grant date fair value (per share) of RSUs granted	$ 17.84	$ 27.82	$ 10.25

The stock-based compensation expense for the years ended December 31, 2022, 2021 and 2020 was as follows:

	Years Ended December 31, 2022	2021	2020
		(in thousands)	
Stock options expense	$ 19,062	$ 13,198	$ 10,938
Restricted Stock Units	8,078	6,402	8,399
Total Stock Based Compensation Expense	$ 27,140	$ 19,600	$ 19,337

As of December 31, 2022, $39,331 thousand of total unrecognized expense related to stock-based compensation awards is expected to be recognized over a weighted-average period of 1.94 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 U.S. and Canadian taxation.

For the years ended December 31, 2022, 2021 and 2020, income taxes expense consisted of:

	Years Ended December 31,		
	2022	2021	2020
	(in thousands)		
Current:			
Federal	$ 106,425	$ 96,749	$ 65,118
State	36,436	35,402	16,640
Foreign	—	—	—
Total Current	142,861	132,151	81,758
Deferred:			
Federal	(37,362)	(6,151)	3,520
State	(10,722)	(1,388)	(1,425)
Foreign	—	—	—
Total Deferred	(48,084)	(7,539)	2,095
Total	**$ 94,777**	**$ 124,612**	**$ 83,853**

The difference between the income tax expense for the years ended December 31, 2022, 2021 and 2020 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,		
	2022	2021	2020
	(in thousands)		
Income before Income Taxes	$ 108,432	$ 204,975	$ 102,931
Statutory Tax Rates	21%	21%	21%
Expense/(Recovery) based on Statutory Rates	22,771	43,045	21,615
State Taxes	24,077	31,476	14,837
Provision to Return Adjustment	499	971	5,299
Adjustments for Stock Compensation	497	(1,836)	(211)
Non-deductible Expenses	40,870	40,847	27,570
Change in State Rate Reconciliation	(127)	54	(2,535)
Change in Valuation Allowance	(25,970)	10,712	7,706
Change in Uncertain Tax Position	30,607	2,776	9,918
Other Differences	1,553	(3,433)	(346)
Income Tax Expense	$ **94,777**	$ **124,612**	$ **83,853**

Income taxes paid for the years ended December 31, 2022, 2021 and 2020 were $118,176 thousand, $148,104 thousand and $72,575 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 from its taxable income. 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, 2022 and 2021, the components of deferred tax assets and liabilities were as follows:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Deferred Tax Assets		
Operating Lease Liabilities	$ 60,588	$ 42,982
Net Operating Losses	1,864	21,237
163(j) Interest Limitation	7,499	9,864
Warrant Fair Value Derivative	—	1,200
Stock-based Compensation	10,646	5,383
Asset Acquisition Life Difference	—	1,329
Capitalized Inventory	5,846	—
Fair Value Investments	3,306	—
Other	5,391	5,214
Valuation Allowance	(702)	(27,174)
Total Deferred Tax Assets	94,438	60,035
Deferred Tax Liabilities		
Operating Right of Use Assets	$ (56,546)	$ (39,165)
Fair Value Investments	—	(4,703)
Warrant Fair Value Derivative	(4,804)	—
Intangibles	(52,508)	(84,896)
Total Deferred Tax Liabilities	(113,858)	(128,764)
Net Deferred Tax Liabilities	**$ (19,420)**	**$ (68,729)**

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, 2022 and 2021 in the amount of $702 thousand and $27,174 thousand, respectively.

As of December 31, 2022, the Company had $7,308 thousand of gross federal net operating loss carryforwards which will not expire. Additionally, the Company had $9,644 thousand of gross state net operating loss carryforwards, if not claimed, begin to expire in 2031.

Pursuant to IRC Sections 382 and 383, 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, 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:

	2022	2021	2020
		(in thousands)	
Balance at Beginning of Year	**$ 13,117**	**$ 10,341**	**$ 2,113**
Gross increases related to tax positions in a prior period	9,531	823	2,382
Gross decreases related to tax positions in a prior period	(1,100)	—	—
Gross increases related to tax positions in the current period	21,582	6,166	7,536
Gross decreases related to tax positions in a current period	—	(4,213)	(1,690)
Balance at End of Year	**$ 43,130**	**$ 13,117**	**$ 10,341**

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2022 and 2021, the Company recognized $3,555 thousand and $1,377 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. The Company files income tax returns in the U.S., various state jurisdictions, and Canada, which jurisdictions have varying statutes of limitations. The U.S. federal statute of limitation remains open for the 2019 tax year to the present. The state income tax returns generally remain open for the 2019 tax year through the present. Net operating losses arising prior to these years are also open to examination if and when utilized.

13. OTHER INCOME (EXPENSE)

For the years ended December 31, 2022, 2021 and 2020 other income (expense) was comprised of the following:

	Years Ended December 31,		
	2022	2021	2020
		(in thousands)	
Fair value adjustments on equity investments	$ (23,270)	$ 5,955	$ 26,371
Fair value adjustments on equity method investments	10,955	—	—
Fair value adjustments on variable note receivable	—	—	(816)
Loss on extinguishment of debt	—	(10,645)	—
Fair value adjustments on warrants issued	20,357	14,577	(23,002)
Fair value adjustments on contingent consideration	—	—	9,877
Earnings (loss) from equity method investments	(4,259)	1,799	2,320
Other	716	(1,009)	627
Total Other Income (Expense)	**$ 4,499**	**$ 10,677**	**$ 15,377**

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, 2022 and 2021, 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. As of December 31, 2022, the following matter was being appealed by the Company:

Cresco Labs New York, LLC and Cresco Labs LLC ("Plaintiffs") filed an amended complaint against one of the Company's subsidiaries, Fiorello Pharmaceuticals, Inc. ("Defendant") on November 20, 2018, in the Supreme Court of the State of New York, NY County alleging Defendant breached the parties' Equity Purchase Agreement Letter of Intent ("LOI") relating to the acquisition of Defendant by Plaintiffs. In December 2022, the trial court granted Plaintiffs' motion for summary judgment on their claim that Defendant breached the LOI. Defendant disputes any liability and is vigorously appealing the trial court's decision. The Company believes a successful appeal is probable, and as such, a $900 thousand loss contingency is reflected within selling, general and administrative expenses within the consolidated statement of operations with respect to this matter. In the event that the Defendant's appeal is unsuccessful, any damages will be determined by further legal proceedings. The Company has estimated that the possible range of loss is between $900 thousand and $72,915 thousand.

At December 31, 2022 and 2021, other than as discussed above, 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, 2022, the Company held approximately $74,650 thousand of open construction commitments to contractors on work being performed which are generally expected to be completed within 12 months.

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.

(a) 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, 2022 and 2021 was $275,668 thousand and $239,934 thousand, which includes $1,037 thousand and $783 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, 2022 and 2021:

	As of December 31, 2022 (in thousands)			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents	$ 177,682	$ —	$ —	$ 177,682
Investments	24,749	—	49,420	74,169
Contingent Consideration Payable	—	—	(41,943)	(41,943)
Warrant Liability	—	—	(4,520)	(4,520)
	$ 202,431	**$ —**	**$ 2,957**	**$ 205,388**

	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**

15. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Remeasurement of Contingent Consideration Arrangements

The Company remeasured its contingent consideration arrangements associated with its 2021 acquisitions of Mobley Pain Management and Wellness Center LLC and Canwell Processing LLC (collectively "Summit") and GreenStar Herbals Inc. ("GreenStar") using Monte Carlo simulation models. During the years ended December 31, 2022 and 2021, the remeasurement resulted in a net gain of $35,200 thousand and $11,900 thousand, respectively. The change in the fair value of the contingent consideration was driven by a change in management's estimates and projections of the acquired entities' ability to achieve the performance targets as agreed to in the 2021 acquisition agreements along with the change in fair value of the shares to be issued.

The remeasurement gains were recorded, net, within selling, general, and administrative expenses on the Company's consolidated statements of operations. Significant assumptions used in the Company's December 31, 2022 and 2021 remeasurement included Green Thumb's stock price as of December 31, 2022 and 2021 and projected earnings metrics and revenue targets as of each period then ended.

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, 2022 and 2021. All of these entities were determined to be VIEs as the Company possesses the power to direct activities through management services agreements ("MSAs"):

	ILDISP	Other Non-material VIEs	ILDISP	Other Non-material VIEs
	December 31, 2022 (in thousands)		December 31, 2021 (in thousands)	
Current assets	$ —	$ 1,294	$ 4,118	$ 1,033
Non-current assets	—	1,909	3,290	1,761
Current liabilities	—	592	10,719	854
Non-current liabilities	—	593	413	696
Noncontrolling interests	—	516	(1,862)	224
Equity attributable to Green Thumb Industries Inc.	—	1,502	(1,862)	1,020

On March 1, 2022, the Company acquired the remaining 50% minority interest in ILDISP, for $11,857 thousand in cash and the issuance of 128,218 shares of Green Thumb, which had a fair value of $2,379 thousand. As a result, the remaining equity associated with the noncontrolling interest was closed to accumulated surplus (deficit) of Green Thumb as of March 1, 2022.

See Note 5—Acquisitions for additional details.

On September 1, 2021, the Company acquired the remaining minority interest in Meshow, LLC, a retail store 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.

16. VARIABLE INTEREST ENTITIES *(Continued)*

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, 2022, 2021 and 2020:

	Years Ended December 31,						
	2022		2021		2020		
	ILDISP	Other Non-material VIEs	ILDISP	Other Non-material VIEs	Chesapeake Alternatives, LLC	ILDISP	Other Non-material VIEs
	(in thousands)		(in thousands)		(in thousands)		
Revenues, Net of Discounts	$ 3,543	$ 9,077	$ 24,420	$ 12,914	$ 19,725	$ 18,694	$ 10,012
Net income attributable to noncontrolling interests	462	1,215	3,565	1,362	411	3,035	639
Net income attributable to Green Thumb Industries Inc.	462	1,032	3,565	1,713	4,577	3,035	575
Net income	$ **924**	$ **2,247**	$ **7,130**	$ **3,075**	$ **4,988**	$ **6,069**	$ **1,214**

As of December 31, 2022 and 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.

The net change in the consolidated VIEs and Other Noncontrolling Interest are as follows for the years ended December 31, 2022 and 2021:

	ILDISP	Other Non-material VIEs	Total
Balance as at January 1, 2021	$ 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)**
Distributions	(13,957)	(922)	(14,879)
Net income (loss)	462	1,215	1,677
Changes in ownership	15,356	—	15,356
Balance as at December 31, 2022	$ **—**	$ **516**	$ **516**

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, 2022, 2021 and 2020:

	Years Ended December 31,		
	2022	**2021**	**2020**
		(in thousands)	
Revenues, Net of Discounts			
Retail	$ 763,166	$ 614,739	$ 396,372
Consumer Packaged Goods	495,101	467,258	273,977
Intersegment Eliminations	(240,892)	(188,437)	(113,776)
Total Revenues, Net of Discounts	**$ 1,017,375**	**$ 893,560**	**$ 556,573**
Depreciation and Amortization			
Retail	$ 43,498	$ 31,619	$ 24,299
Consumer Packaged Goods	53,166	36,839	28,207
Intersegment Eliminations	—	—	—
Total Depreciation and Amortization	**$ 96,664**	**$ 68,458**	**$ 52,506**
Income Taxes			
Retail	$ 53,869	$ 66,908	$ 49,888
Consumer Packaged Goods	40,908	57,704	33,965
Intersegment Eliminations	—	—	—
Total Income Taxes	**$ 94,777**	**$ 124,612**	**$ 83,853**

Goodwill assigned to the Consumer Packaged Goods segment as of December 31, 2022 and 2021 was $315,889 thousand and $358,038 thousand, respectively. Intangible assets, net assigned to the Consumer Packaged Goods segment as of December 31, 2022 and 2021 was $286,922 thousand and $317,454 thousand, respectively.

Goodwill assigned to the Retail segment as of December 31, 2022 and 2021 was $273,802 thousand and $274,811 thousand, respectively. Intangible assets, net assigned to the Retail segment as of December 31, 2022 and 2021 was $302,597 thousand and $358,037 thousand, respectively.

The Company's assets are aggregated into two reportable segments (Retail and Consumer Packaged Goods). For the purposes of testing goodwill, effective October 1, 2022, Green Thumb has identified two reporting units which align with our reportable segments (Retail and Consumer Packaged Goods). All revenues are derived from customers domiciled in the United States and all assets are located in the United States.

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains selected quarterly data for 2022 and 2021. 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
2022					
Net Sales	$ 242,600	$ 254,311	$ 261,194	$ 259,270	$ 1,017,375
Income (loss) from operations	54,552	62,263	48,761	(44,512)	121,064
Net Income (loss) attributable to Green Thumb Industries Inc.	28,939	24,437	9,829	(51,227)	11,978
Net Income (loss) per share – basic	0.12	0.11	0.04	(0.22)	0.05
Net Income (loss) per share – diluted	0.12	0.10	0.04	(0.22)	0.05
Weighted average number of common shares outstanding - basic	235,838,947	236,783,625	237,002,873	237,208,543	236,713,056
Weighted average number of common shares outstanding - diluted	238,225,420	237,762,903	237,804,799	237,208,543	238,080,030

	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

Report of Independent Registered Public Accounting Firm

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

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Green Thumb Industries, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in shareholders' equity, and cash flows, for each of the two years in the period ended December 31, 2022, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

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 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 and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated 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 audits 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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) and Contingent Consideration Arising from Business Combinations

Critical Audit Matter Description

As described in Note 5 to the consolidated financial statements, the Company completed the acquisition of ILDISP, LLC during the year ended December 31, 2022. The aggregate consideration for the acquisition was approximately $20 million. In addition, during the year ended December 31, 2022, the Company finalized the purchase price allocation related to the acquisitions of Mobley Pain Management and Wellness Center, LLC and CanWell Processing, LLC, GreenStar Herbals, Inc., MDHWC Management Corp., and LeafLine Industries, LLC (together, the "2021 acquisitions") which were acquired during the year ended December 31, 2021. The aggregate consideration for these acquisitions was approximately $334 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 $360 million (of which approximately $341 million related to the 2021 acquisitions). The Company has recorded identifiable license intangible assets of approximately $191 million and goodwill of approximately $169 million (of which approximately $177 million and $164 million related to license intangible assets and goodwill, respectively, of the 2021 acquisitions) 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 and 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, and equity risk premium 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 Notes 2 and 6 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 has recorded $590 million of goodwill as of December 31, 2022. The Company performs its goodwill impairment analysis utilizing either a qualitative or quantitative analysis. The qualitative impairment test includes the evaluation of factors to determine whether it is more-likely-than-not that the fair value of the reporting units is less than their carrying amount. The quantitative impairment test compares the carrying amount of the reporting units to their fair values.

The impairment test resulted in the recording of an impairment loss of approximately $57 million for the year ended December 31, 2022. The impairment analysis requires management to make significant estimates and assumptions in performing its assessment including estimates and assumptions related to forecasts of future revenues and expenses, as well as working capital and capital expenditure requirements. Using the quantitative analysis, the Company then discounts the projected cash flows to a present value using a discount rate that reflects the estimated market weight-average cost of capital and risks specific to the projected cash flows.

Auditing management's impairment analysis 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 over the Company's annual goodwill impairment analysis, including assumptions used by management in conducting its impairment analysis, including controls addressing:
    - Management's identification of reporting units evaluated for potential impairment.
    - Management's assessment of potential triggering events indicating potential impairment.
    - Management's evaluation of the completeness, accuracy, and reasonableness of prospective financial information used to determine the fair values of reporting units, including the eventual repeal of 280E.
    - Management's evaluation of the completeness and accuracy of key assumptions and inputs used by third-party valuation specialists, including the discount rate, market multiples, risk-free rate, weighted-average cost of capital, and equity risk premium used to determine fair values.
    - Management's evaluation of the clerical accuracy of the model used to determine the fair values of reporting units.

- Substantively tested, with the assistance of firm personnel with the experience in the application of fair value and valuation methodologies, 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 management's assessment of potential triggering events indicating potential impairment.
    - 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 anticipated future cash flows, discount rates, market multiples, risk-free rate, weighted-average cost of capital, and the eventual repeal of 280E.
    - Performed sensitivity analyses to evaluate the changes in the fair value of the reporting units that would result from changes in certain assumptions.
    - Compared significant assumptions used by management to historical results of operations, industry and market data, and other evidence obtained in the performance of the audit.

We have served as the Company's auditor since 2021.

/s/ Baker Tilly US, LLP
Chicago, Illinois

March 1, 2023

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 statements of operations, changes in shareholders' equity, and cash flows of Green Thumb Industries Inc. (the "Company") for the year 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 results of the Company's operations and its cash flows for the year 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 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 audit 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. 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 audit 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 audit 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 financial statements. We believe that our audit provides 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