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, 2023

OR

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

For the transition period from to

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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 19, 2024, there were 211,630,766 shares of the registrant's Subordinate Voting Shares, 37,683 shares of the registrant's Multiple Voting Shares and 216,690 shares of the registrant's Super Voting Shares 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, 2023, the last business day of the registrant's most recently completed second fiscal quarter, held by nonaffiliates was $1,628,045 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 2024 Annual General Meeting of Shareholders (the "2024 Proxy Statement"). The 2024 Proxy Statement will be filed by the registrant with the Securities and Exchange Commission not later than 120 days after December 31, 2023, the end of the registrant's fiscal year.

Green Thumb Industries Inc.
Consolidated Balance Sheets
As of December 31, 2023 and December 31, 2022
(Amounts Expressed in Thousands of United States Dollars, Except Share Amounts)

	December 31, 2023	December 31, 2022
	(in thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 161,634	$ 177,682
Accounts Receivable, Net	42,975	30,975
Income Tax Receivable	—	7,473
Inventories, Net	112,970	115,675
Prepaid Expenses	19,801	13,364
Other Current Assets	5,382	6,182
Total Current Assets	342,762	351,351
Property and Equipment, Net	687,106	557,873
Right of Use Assets, Net	238,369	242,357
Investments	64,361	74,169
Investments in Associates	24,942	25,508
Note Receivable	550	—
Intangible Assets, Net	538,678	589,519
Goodwill	589,691	589,691
Deferred Tax Assets	1,041	—
Deposits and Other Assets	2,557	3,060
TOTAL ASSETS	$ 2,490,057	$ 2,433,528
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 24,495	$ 18,423
Accrued Liabilities	59,552	86,971
Compensation Payable	16,005	13,476
Current Portion of Notes Payable	2,996	1,037
Current Portion of Lease Liabilities	12,297	10,906
Contingent Consideration Payable	—	11,400
Income Tax Payable	10,705	4,358
Total Current Liabilities	126,050	146,571
Long-Term Liabilities:		
Lease Liabilities, Net of Current Portion	249,464	249,281
Notes Payable, Net of Current Portion and Debt Discount	305,527	274,631
Contingent Consideration Payable	33,250	30,543
Warrant Liability	—	4,520
Deferred Income Taxes	72,510	62,550
TOTAL LIABILITIES	786,801	768,096
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Subordinate Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2023: Unlimited, 209,871,792, and 209,871,792, respectively, at December 31, 2022: Unlimited, 206,991,275, and 206,991,275, respectively)	—	—
Multiple Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2023: Unlimited, 38,531 and 38,531, respectively, at December 31, 2022: Unlimited, 38,531 and 38,531, respectively)	—	—
Super Voting Shares (Shares Authorized, Issued and Outstanding at December 31, 2023: Unlimited, 216,690 and 216,690, respectively, at December 31, 2022: Unlimited, 251,690 and 251,690, respectively)	—	—
Share Capital	1,703,852	1,663,557
Contributed Surplus	7,871	23,233
Deferred Share Issuances	12,973	36,211
Accumulated Deficit	(21,818)	(58,085)
Equity of Green Thumb Industries Inc.	1,702,878	1,664,916
Noncontrolling interests	378	516
TOTAL SHAREHOLDERS' EQUITY	1,703,256	1,665,432
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,490,057	$ 2,433,528

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

Green Thumb Industries Inc.
Consolidated Statements of Operations
Years Ended December 31, 2023, 2022 and 2021
(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Years Ended December 31,		
	2023	**2022**	**2021**
		(in thousands)	
Revenues, Net of Discounts	$ 1,054,553	$ 1,017,375	$ 893,560
Cost of Goods Sold, Net	(528,058)	(513,412)	(401,631)
Gross Profit	526,495	503,963	491,929
Expenses:			
Selling, General, and Administrative	341,863	294,396	277,087
Impairment of Goodwill and Intangible Assets	—	88,503	—
Total Expenses	341,863	382,899	277,087
Income From Operations	184,632	121,064	214,842
Other Income (Expense):			
Other Income (Expense), Net	(16,207)	4,499	10,677
Interest Income, Net	6,697	4,070	1,432
Interest Expense, Net	(19,073)	(21,201)	(21,976)
Total Other Expense	(28,583)	(12,632)	(9,867)
Income Before Provision for Income Taxes And Non-Controlling Interest	156,049	108,432	204,975
Provision For Income Taxes	118,630	94,777	124,612
Net Income Before Non-Controlling Interest	37,419	13,655	80,363
Net Income Attributable to Non-Controlling Interest	1,152	1,677	4,927
Net Income Attributable To Green Thumb Industries Inc.	$ 36,267	$ 11,978	$ 75,436
Net Income Per Share - Basic	$ 0.15	$ 0.05	$ 0.34
Net Income Per Share - Diluted	$ 0.15	$ 0.05	$ 0.33
Weighted Average Number of Shares Outstanding - Basic	237,927,867	236,713,056	223,192,326
Weighted average Number of Shares Outstanding - Diluted	239,827,390	238,080,030	226,758,882

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, 2023, 2022 and 2021
(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, 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
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
Stock-based compensation	—	27,140	—	—	—	27,140
Shares issued for settlement of business obligation	1,774	(24)	—	—	—	1,750
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 Changes in Shareholders' Equity
Years Ended December 31, 2023, 2022 and 2021
(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, 2023	$ 1,663,557	$ 23,233	$ 36,211	$ (58,085)	$ 516	$ 1,665,432
Issuance of deferred shares	20,454	—	(20,454)	—	—	—
Distribution of contingent consideration	12,524	—	—	—	—	12,524
Indemnification of deferred shares associated with post acquisition costs	—	—	(2,784)	—	—	(2,784)
Exercise of options and RSUs	7,317	(3,695)	—	—	—	3,622
Stock-based compensation	—	28,189	—	—	—	28,189
Distributions to limited liability company unit holders	—	—	—	—	(1,290)	(1,290)
Repurchase of Subordinate Voting Shares	—	(39,856)	—	—	—	(39,856)
Net income	—	—	—	36,267	1,152	37,419
Balance, December 31, 2023	$ 1,703,852	$ 7,871	$ 12,973	$ (21,818)	$ 378	$ 1,703,256

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, 2023, 2022 and 2021
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31, 2023	2022 (in thousands)	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Net income attributable to Green Thumb Industries Inc.	$ 36,267	$ 11,978	$ 75,436
Net income attributable to non-controlling interest	1,152	1,677	4,927
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	100,790	96,664	68,458
Amortization of operating lease assets	48,231	43,985	34,124
(Gain) loss on extinguishment of debt	(1,283)	—	10,645
Loss on disposal of property and equipment	3,542	383	314
Impairment of goodwill and intangible assets	—	88,503	—
Impairment of long-lived property and equipment	5,467	1,419	4,744
Loss (earnings) on equity method investments	1,166	4,259	(1,799)
Loss (gain) from lease modification	52	(3,330)	—
Deferred income taxes	8,918	(17,477)	(4,763)
Stock-based compensation	28,189	27,140	19,600
Decrease (increase) in fair value of investments	17,460	11,651	(6,377)
Increase (decrease) in fair value of contingent consideration	3,831	(29,012)	(8,273)
Decrease in fair value of warrants	(1,403)	(20,357)	(14,577)
Shares issued for settlement of business obligation	—	1,750	7,135
Gain on indemnification of deferred shares associated with post acquisition costs	(2,784)	(51)	—
Amortization of debt discount	9,718	9,174	7,235
Changes in operating assets and liabilities:			
Accounts receivable, net	(12,000)	(8,841)	(158)
Inventories, net	2,615	(19,791)	(16,439)
Prepaid expenses and other current assets	(5,603)	(3,222)	(4,863)
Deposits and other assets	503	(419)	(749)
Accounts payable	6,072	3,571	(9,525)
Accrued liabilities	2,969	2,412	10,165
Operating lease liabilities	(42,721)	(38,258)	(28,597)
Income tax receivable and payable, net	13,820	(5,244)	(14,615)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**224,968**	**158,564**	**132,048**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(220,035)	(179,500)	(187,850)
Proceeds from disposal of property and equipment	429	869	109
Investments in securities and associates	(8,800)	(5,804)	(79,050)
Proceeds from equity investments and notes receivable	498	3,571	18,417
Settlement of acquisition consideration payable	—	(31,732)	—
Purchase of businesses, net of cash acquired	—	(7,350)	(32,356)
NET CASH USED IN INVESTING ACTIVITIES	**(227,908)**	**(219,946)**	**(280,730)**
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from limited liability company unit holders	—	—	1,675
Distributions to limited liability company unit holders	(1,290)	(14,879)	(11,028)
Contributions from unconsolidated subsidiaries	—	550	—
Net proceeds from issuance of registered shares pursuant to Form S-1	—	—	155,498
Repurchase of Subordinate Voting Shares	(39,856)	—	—
Proceeds from exercise of options and RSUs	3,622	3,822	14,260
Proceeds from issuance of notes payable	49,901	20,101	208,700
Principal repayment of notes payable	(25,485)	(950)	(70,507)
Prepayment penalty and other costs associated with refinancing	—	—	(3,254)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(13,108)**	**8,644**	**295,344**
CASH AND CASH EQUIVALENTS:			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,048)	(52,738)	146,662
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	177,682	230,420	83,758
CASH AND CASH EQUIVALENTS END OF PERIOD	**$ 161,634**	**$ 177,682**	**$ 230,420**

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, 2023, 2022 and 2021
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31,		
	2023	2022	2021
		(in thousands)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 20,912	$ 18,552	$ 15,311
NONCASH INVESTING AND FINANCING ACTIVITIES			
Accrued capital expenditures	$ (30,966)	$ 887	$ 22,096
Noncash increase in right of use asset	$ (7,174)	$ (74,996)	$ (27,035)
Noncash increase in lease liability	$ 7,174	$ 74,996	$ 27,035
Warrant issuance associated with note payable	$ —	$ —	$ 25,145
Mortgages associated with operating properties	$ —	$ 7,350	$ 6,830
Shares issued for purchase of noncontrolling interest	$ —	$ 2,379	$ 4,070
Issuance of shares associated with contingent consideration	$ 12,524	$ 13,111	$ 33,472
Deferred share issuances	$ —	$ —	$ 37,565
Deferred share distributions	$ (20,454)	$ —	$ (3,890)
Issuance of shares under business combinations	$ —	$ 1,406	$ 343,303
ACQUISITIONS AND DISPOSITIONS			
Inventories	$ (90)	$ 412	$ 9,489
Accounts receivable	—	34	527
Prepaid expenses	(16)	72	1,117
Property and equipment	(447)	738	30,789
Right of use assets	(128)	743	19,003
Identifiable Intangible assets	—	4,816	314,457
Goodwill	—	14,214	250,152
Deposits and other assets	—	12	1,031
Liabilities assumed	3	(1,222)	(13,692)
Lease liabilities	128	(743)	(19,003)
Notes Payable	—	—	(5,627)
Noncontrolling interests	—	17,735	—
Contingent liabilities	—	(200)	(98,500)
Equity interests issued	—	(3,785)	(374,244)
Fair value of previously held equity interest	—	(11,336)	—
Cash consideration payable	—	—	(32,092)
Cash consideration receivable	550	—	—
Deferred income taxes	—	1,216	(51,051)
Settlement of noncontrolling interests	—	(15,356)	—
	$ —	**$ 7,350**	**$ 32,356**
ADDITIONAL SUPPLEMENTAL INFORMATION			
Decrease in fair value of investments	$ 17,460	$ 22,606	$ (6,377)
Increase in fair value of equity method investments	—	(10,955)	—
TOTAL DECREASE IN FAIR VALUE OF INVESTMENTS	**$ 17,460**	**$ 11,651**	**$ (6,377)**

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 national chain named RISE, which sell our products and third-party products. As of December 31, 2023, Green Thumb has revenue in fourteen markets (California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Ohio, Pennsylvania, Rhode Island and Virginia), employs approximately 4,600 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 is 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, 2023, 2022 and 2021 (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, 2023, 2022 and 2021 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, 2023 and 2022:

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 years ended December 31, 2023:

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, 2023 and 2022 the Company recorded approximately $1,658 thousand and $928 thousand, respectively, in allowance for doubtful accounts. During the years ended December 31, 2023, 2022 and 2021, the Company recorded bad debt expense of $729 thousand, $423 thousand and $488 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, 2023, 2022 and 2021, the Company recorded impairment charges of $5,467 thousand, $1,419 thousand and $4,744 thousand respectively, within selling, general, and administrative expenses on the consolidated statement of operations.

(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, 2023:

Licenses and Permits	15 years
Tradenames	5-15 years
Customer Relationships	7 years
Non-competition Agreement	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 the 2022 annual review, management determined that certain tradenames associated with the 2019 acquisition of Integral Associates, LLC ("Integral") should be written-off. The Company's decisions to re-brand Essence retail stores into RISE retail locations and, discontinue production of the Desert Grown Farms brand, both acquired as part of the Integral acquisition, resulted in an impairment charge of $31,131 thousand as of the year ended December 31, 2022.

No such impairment charges were recorded during the years ended December 31, 2023 or 2021.

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

During the years ended December 31, 2021 and 2023, 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 *Accounting Standards Codification ("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, 2023 or 2021.

(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 11—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, 2023, 2022 and 2021, sales discounts totaled $232,031 thousand, $167,288 thousand and $83,851 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, 2023 and 2022, the loyalty liability totaled $4,839 thousand and $4,871 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 a 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 14—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, 2023, the Company had 10,071,467 options, 3,620,638 RSUs and 3,734,555 warrants outstanding. 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.

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, 2023, the computation of diluted earnings per share included 220,325 options, 1,679,198 RSUs and 0 warrants. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Earnings per Share (Continued)

For the years ended December 31, 2023, 2022, and 2021 the weighted average number of anti-dilutive options excluded from the computation of diluted earnings per share were 2,477,120; 1,895,273; and 626,930, 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, 2023, 2022, and 2021, 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, 2023, 2022 and 2021, the Company recorded impairment charges associated with long-lived fixed assets of $5,467 thousand, $1,419 thousand and $4,744 thousand respectively, within selling, general, and administrative expenses on the consolidated statement of operations.

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 5—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.

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

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

(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.

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

(iv) Investments in Private Holdings

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

(v) Goodwill Impairment

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

During the years ended December 31, 2023 and 2021, 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 5—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 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).

(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 or 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.

(iv) In November 2023, the FASB issued *ASU No.2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures,* to provide enhanced segment disclosures. The standard will require disclosures about significant segment expense categories and amounts for each reportable segment, for all periods presented. Additionally, the standard requires public entities to disclose the title and position of the Chief Operating Decision Maker ("CODM") in the consolidated financial statements. These enhanced disclosures are required for all entities on an interim and annual basis, effective for fiscal years beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. INVENTORIES

The Company's inventories include the following at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
Raw Material	$ 1,547	$ 3,070
Packaging and Miscellaneous	10,661	9,847
Work in Process	47,029	57,287
Finished Goods	57,631	49,268
Reserve for Obsolete Inventory	(3,898)	(3,797)
Total Inventories, Net	**$ 112,970**	**$ 115,675**

4. PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment consisted of the following:

	December 31, 2023	December 31, 2022
	(in thousands)	
Buildings and Improvements	$ 353,912	$ 176,874
Equipment, Computers and Furniture	171,522	122,568
Leasehold Improvements	200,232	135,524
Land Improvements	1,046	847
Capitalized Interest	30,817	16,934
Total Property and Equipment	**757,529**	**452,747**
Less: Accumulated Depreciation	(127,290)	(80,702)
Property and Equipment, net	630,239	372,045
Land	33,725	29,106
Assets Under Construction	23,142	156,722
Property and Equipment, net	**$ 687,106**	**$ 557,873**

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, 2023, 2022 and 2021 totaled $49,949 thousand, $37,006 thousand and $23,250 thousand, respectively, of which $32,936 thousand, $24,117 thousand and $14,301 thousand, respectively, is included in cost of goods sold.

5. 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, 2023 and 2022, intangible assets consisted of the following:

	December 31, 2023			December 31, 2022		
	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	$ 157,764	$ 502,952	$ 660,716	$ 113,800	$ 546,916
Trademarks	41,511	13,378	28,133	41,511	10,486	31,025
Customer Relationships	24,438	16,927	7,511	24,438	13,435	11,003
Non-Competition Agreements	2,565	2,483	82	2,565	1,990	575
Total Intangible Assets	**$ 729,230**	**$ 190,552**	**$ 538,678**	**$ 729,230**	**$ 139,711**	**$ 589,519**

The Company recorded amortization expense for the years ended December 31, 2023, 2022 and 2021 of $50,841 thousand, $59,658 thousand and $45,208 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 ("Integral") should be written-off. The Company's decisions to re-brand Essence retail stores into RISE retail locations and, discontinue production of the Desert Grown Farms brand, both acquired as part of the Integral acquisition, resulted in an impairment charge of $31,131 thousand as of the year ended December 31, 2022.

No such impairment charges were recorded during the years ended December 31, 2023 or 2021.

The following table outlines the estimated annual amortization expense related to intangible assets as of December 31, 2023:

Year Ending December 31,	Estimated Amortization (in thousands)
2024	$ 50,392
2025	50,294
2026	47,332
2027	46,803
2028	46,803
2029 and Thereafter	297,054
	$ 538,678

As of December 31, 2023, the weighted average amortization period remaining for intangible assets was 11.37 years.

5. INTANGIBLE ASSETS AND GOODWILL *(Continued)*

(b) Goodwill

At December 31, 2023 the balances of goodwill, by segment, consisted of the following:

	Retail	Consumer Packaged Goods	Total
		(in thousands)	
As of January 1, 2023	$ 273,802	$ 315,889	$ 589,691
As of December 31, 2023	**$ 273,802**	**$ 315,889**	**$ 589,691**

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**

Goodwill is recognized net of accumulated impairment losses of $57,372 thousand as of December 31, 2023 and 2022 respectively. Goodwill impairment charges of $- thousand and $57,372 thousand were recognized by the Company during the years ended December 31, 2023 and 2022, respectively.

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 those components into two reporting units that align with our reportable segments, was applied. Beginning October 1, 2022, the Company aggregated its components into two reporting units (Retail and Consumer Packaged Goods).

As part of the Company's aggregation of the 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. 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, 2023 or 2021.

6. INVESTMENTS

As of December 31, 2023 and 2022, the Company held various equity interests in cannabis companies as well as investments in convertible notes that had a combined fair value of $64,361 thousand and $74,169 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, 2023 and 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
Beginning	$ 74,169	$ 94,902
Additions	8,200	5,444
Disposals	(498)	(3,571)
Fair value adjustment	(17,460)	(22,606)
Transfers and other	(50)	—
Ending	**$ 64,361**	**$ 74,169**

The following table summarizes the fair value change in the Company's investments recorded during the years ended December 31, 2023, 2022 and 2021.

	Years Ended December 31,		
	2023	2022	2021
	(in thousands)		
Equity Investments	$ (20,713)	$ (17,078)	$ 5,955
Notes	2,845	(6,192)	—
Accrued Interest of Notes	408	664	422
Net fair value (losses) gains	**$ (17,460)**	**$ (22,606)**	**$ 6,377**

The Company recorded fair value gains (losses) related to equity and note receivable investments within other income (expense) and accrued interest to interest income on the consolidated statements of operations.

(a) Equity Investments

For the years ended December 31, 2023 and 2022, the Company held equity investments in publicly traded entities which have readily determinable fair values, which are classified as Level 1 investments, of $2,001 thousand and $2,535 thousand, respectively. During the years ended December 31, 2023, 2022 and 2021, the Company received proceeds from the sale of such investments of $198 thousand, $2,488 thousand and $18,417 thousand, respectively. The Company recorded net (losses) gains on the change in fair value of such investments of $(336) thousand, $(15,560) thousand and $828 thousand during the years ended December 31, 2023, 2022 and 2021, 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, 2023 and 2022, 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 $25,953 thousand and $40,330 thousand, respectively. There were no sales of these investments during the years ended December 31, 2023, 2022 and 2021. The Company recorded net (losses) gains on the change in fair value of such investments of $(20,377) thousand, $(1,518) thousand and $5,127 thousand during the years ended December 31, 2023, 2022 and 2021, 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 14—Fair Value Measurements for additional details.

6. INVESTMENTS *(Continued)*

(a) Equity Investments *(Continued)*

Unrealized gains (losses) recognized on equity investments held during the years ended December 31, 2023, 2022 and 2021 were $(20,660) thousand, $(16,910) thousand, and $6,377 thousand, respectively.

(b) Note Receivable Instruments

As of December 31, 2023 and 2022, 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 each year. There were no gains (losses) recognized on these investments during the years ended December 31, 2023 and 2021. 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 proceeds received on these investments during the years ended December 31, 2023 and 2021. During the year ended December 31, 2022, the Company received proceeds from the partial principal repayment of the note receivable of $1,083 thousand. The note receivable instruments had a stated interest rate of 13% and a maturity date of April 29, 2025. These notes did not contain conversion features and are currently classified as trading securities on the Company's consolidated balance sheet.

As of December 31, 2023 and 2022, 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 $14,193 thousand and $9,090 thousand, respectively, with stated interest ranging between 0.91% - 10% and terms between 15 months to five years. During the years ended December 31, 2023 and 2022, the Company recorded gain (losses) on the change in fair value of such investments of $2,845 thousand and $(5,955) thousand, respectively, within other income (expense). There were no gains (losses) recognized on these investments during the year ended December 31, 2021. The combined fair value amounts include the initial investment cost and combined contractual accrued interest of $408 thousand, $664 thousand and $422 thousand for the years ended December 31, 2023, 2022 and 2021. These notes are classified as trading securities on the Company's consolidated balance sheet.

See Note 14—Fair Value Measurements for additional details.

7. LEASES

(a) Operating Leases

The Company has operating leases for its retail stores, processing and cultivation facilities, as well as for corporate office space. 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, 2023, 2022 and 2021 the Company recorded operating lease expense of $48,231 thousand, $43,985 thousand and $34,124 thousand, respectively.

Other information related to operating leases as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Weighted average remaining lease term (years)	11.75	11.64
Weighted average discount rate	12.40%	12.42%

Maturities of lease liabilities for operating leases as of December 31, 2023 were as follows:

	Maturities of Lease Liability		
Year Ending December 31,	**Third-Party**	**Related Party**	**Total**
		(in thousands)	
2024	$ 43,633	$ 437	$ 44,070
2025	41,845	343	42,188
2026	41,073	350	41,423
2027	41,420	357	41,777
2028	40,863	364	41,227
2029 and Thereafter	318,590	1,364	319,954
Total Lease Payments	527,424	3,215	530,639
Less: Interest	(267,672)	(1,206)	(268,878)
Present Value of Lease Liability	**$ 259,752**	**$ 2,009**	**$ 261,761**

(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 Chairman 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, 2023, 2022 and 2021, the Company recorded lease expense of $553 thousand, $1,129 thousand and $1,185 thousand, respectively, associated with these leasing arrangements.

7. 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.

8. NOTES PAYABLE

At December 31, 2023 and 2022, notes payable consisted of the following:

	December 31, 2023	December 31, 2022
	(in thousands)	
Charitable Contributions[1]	$ 351	$ 764
Private placement debt dated April 30, 2021[2]	221,680	237,795
Mortgage notes[3]	86,492	37,109
Total notes payable	308,523	275,668
Less: current portion of notes payable	(2,996)	(1,037)
Notes payable, net of current portion	**$ 305,527**	**$ 274,631**

[1] In connection with acquisitions completed in 2017 and 2019, the Company committed to provide quarterly charitable contributions of $50 thousand through October 2024 and $250 thousand per year through May 2024, respectively. The net present value of these payments has been recorded as a liability with interest rates ranging between 2.17% - 7.00%.

[2] The April 30, 2021 private placement debt, as amended on October 21, 2021 (the "April 30, 2021 Notes") were issued in an aggregate amount of $249,934 thousand with an interest rate of 7%, maturing on April 30, 2025. The outstanding principal balance of the April 30, 2021 Notes was $224,435 thousand and $249,934 thousand, and are recorded net of debt discount, the carrying value of which was $2,755 thousand and $12,139 thousand, as of December 31, 2023 and 2022, respectively.

[3] The Company has issued various mortgage notes at an aggregate value of $88,785 thousand and $38,292 thousand in connection with various operating properties as of December 31, 2023 and 2022, respectively. The mortgage notes were issued at a discount, the carrying value of which was $725 thousand and $437 thousand, and are presented net of principal payments of $1,568 thousand and $746 thousand as of December 31, 2023 and 2022, respectively.These mortgage notes mature between August 20, 2025 and June 5, 2035 with interest rates ranging between 5.00% and 7.77%.

Annual maturities of debt related to mortgage notes for the five fiscal years subsequent to December 31, 2023 are: 2024 - $2,643 thousand; 2025 - $4,268 thousand; 2026 - $3,012 thousand; 2027 - $3,241 thousand; and 2028 - $15,197 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 originally had a maturity date of April 30, 2024 and bore interest from the date of issue of 7.00% per annum, payable quarterly. The purchasers of the April 30, 2021 Notes also received 1,459,044 warrants (the "Warrants"), which allow the holder to purchase one Subordinate Voting Share at an exercise price of $32.68 per share, for a period of 60 months from the date of issuance.

On October 15, 2021, the Company amended its existing Note Purchase Agreement with the Second Amended Note Purchase Agreement dated April 30, 2021 (the "April 30, 2021 Note Purchase Agreement"), for the purposes of borrowing an additional $33,200 thousand, as permitted under the April 30, 2021 Notes Purchase Agreement (issued as "Amended Notes"). 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 April 30, 2021 Note Purchase Agreement 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, 2023 and 2022, the Company was in compliance with all covenants.

8. NOTES PAYABLE *(Continued)*

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

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.

From October 19, 2023 through November 30, 2023, the Company repurchased $25,500 thousand of the April 30, 2021 Notes held by unrelated third-party lenders at 95% of their original value. In connection with the repurchase, the Company also wrote-off $350 thousand of the associated unamortized debt discount.

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).

(b) Low Moor, Virginia Mortgage Note

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 CPG facility at Low Moor, Virginia in an amount up to $31,000 thousand. On October 23, 2023, the Construction Loan converted into a $30,998 thousand mortgage note bearing interest of 7.75% per annum, with a maturity date of October 1, 2034. The mortgage includes certain covenants requiring the Company to maintain certain financial ratios related to its ability to service the debt. As of December 31, 2023, the Company was in compliance with all covenants associated with the mortgage.

(c) Ocala, Florida Mortgage Note

On December 7, 2023, the Company closed on a $15,000 thousand mortgage note associated with its Ocala, Florida CPG facility bearing an interest rate of 7.45% per annum, with a maturity date of December 31, 2028. The interest rate on the mortgage is subject to a compensating balance threshold, which, if the Company falls below such threshold, the lender may increase the interest rate of the mortgage to 9.45% per annum. In addition, the mortgage includes various covenants requiring the Company to maintain certain financial ratios related to its ability to service the debt. As of December 31, 2023, the Company was in compliance with all covenants associated with the mortgage.

(d) Cottage Grove, Minnesota Mortgage Note

On December 14, 2023, the Company closed on a $17,000 thousand mortgage note associated with its Cottage Grove CPG facility bearing an interest rate of 7.75% per annum, with a maturity date of January 1, 2029. The mortgage includes a covenant requiring the Company to maintain certain financial ratios related to its ability to service the debt. As of December 31, 2023, the Company was in compliance with all covenants associated with the mortgage.

9. 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, 2023 and 2022:

	Liability Classified			Equity Classified		
	Number of Shares	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price (USD)	Weighted Average Remaining Contractual Life
Balance as of December 31, 2022	1,997,208	C$ 18.03	1.50	1,737,347	$ 31.83	3.38
Balance as of December 31, 2023	1,997,208	C$ 18.03	0.50	1,737,347	$ 31.83	2.38

(a) Liability Classified Warrants Outstanding

In certain instances, the Company issued warrants with an exercise price denominated in Canadian dollars whereas the Company's functional currency is USD. As a result, upon issuance and at each reporting date, the Company is required to classify such warrants as a liability and remeasures the fair value of the warrants using a Monte Carlo Simulation model.

The following table summarizes the fair value of the liability classified warrants at December 31, 2023 and 2022:

			Fair Value		
Warrant Liability	**Strike Price**	**Warrants Outstanding**	**December 31, 2023**	**December 31, 2022**	**Change**
			(in thousands)		
Private Placement Financing Warrants Issued May 2019	C$19.39	1,606,533	$ 1,673	$ 3,125	$ (1,452)
Modification Warrants Issued November 2019	C$12.04	316,947	1,151	1,139	12
Additional Modification Warrants Issued May 2020	C$14.03	73,728	293	256	37
Totals		**1,997,208**	**$ 3,117**	**$ 4,520**	**$ (1,403)**

During the years ended December 31, 2023, 2022 and 2021, the Company recorded gains of $1,403 thousand, $20,357 thousand, and $14,577 thousand, respectively, on the change in the fair value of the warrant liability within other income (expense) on the consolidated statements of operations. As of December 31, 2023, the warrant liability was classified as a current liability and recorded within accrued liabilities on the consolidated balance sheets.

The following table summarizes the significant assumptions used in determining the fair value of the warrant liability as of each reporting date (see Note 14—Fair Value Measurements for additional details):

Significant Assumptions	**December 31, 2023**	**December 31, 2022**
Volatility	61.76% - 74.31%	70.44% - 78.21%
Remaining Term	0.39-1.39 years	1.39 - 2.39 years
Risk Free Rate	3.91%	3.82% - 4.07%

9. WARRANTS *(Continued)*

(b) Equity Classified Warrants Outstanding

In certain instances, the Company issued warrants with an exercise price denominated in USD and, consequently, classified such warrants as equity. Equity classified warrants are recorded at fair value at each respective date of issuance and not remeasured on a recurring basis. Such warrants 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, 2023 and 2022:

			Issuance Date Fair Value	
Warrants Included in Contributed Surplus	**Strike Price**	**Warrants Outstanding**	**December 31, 2023**	**December 31, 2022**
			(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**	**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%

10. 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, 2023, the shareholders of the Company converted 35,000 Multiple Voting Shares into 3,500,000 Subordinate Voting Shares.

(ii) Multiple Voting Shares

Each Multiple Voting Share is entitled to 100 votes per share at shareholder meetings of the Company and is exchangeable for 100 Subordinate Voting Shares. At December 31, 2023, 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, 2023, the shareholders of the Company converted 35,000 Super Voting Shares into 35,000 Multiple Voting Shares and 35,000 Multiple Voting Shares into 3,500,000 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, 2023, the Company had 216,690 issued and outstanding Super Voting Shares which convert into 21,669,000 Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Super Voting Shares. During the year ended December 31, 2023, the shareholders of the Company converted 35,000 Super Voting Shares into 35,000 Multiple Voting Shares.

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

10. 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, 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**
As at January 1, 2023	206,991,275	38,531	251,690
Distribution of contingent consideration	1,614,871	—	—
Distribution of deferred shares	680,089	—	—
Issuance of shares upon exercise of options	477,545	—	—
Issuances of shares upon vesting of RSUs	451,138	—	—
Repurchase of Subordinate Voting Shares	(3,843,126)	—	—
Exchange of shares	3,500,000	—	(35,000)
As at December 31, 2023	**209,871,792**	**38,531**	**216,690**

(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.

10. SHARE CAPITAL *(Continued)*

(b) Issued and Outstanding *(Continued)*

(ii) Distribution of Contingent Consideration

Integral Associates, LLC

In connection with the Company's 2019 acquisition of Integral Associates, LLC, the purchase agreement included contingent consideration which was dependent upon the awarding of conditional and final dispensary operating licenses ("License Milestones"). 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 License Milestones. 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, 2023, any remaining License Milestones had expired.

Dharma Pharmaceuticals, LLC

In connection with the Company's 2021 acquisition of Dharma Pharmaceuticals, LLC ("Dharma"), the purchase agreement included contingent consideration of up to $65,000 thousand in Subordinate Voting Shares of Green Thumb, which was dependent upon 1) the successful opening of five retail stores in the Virginia area within the first three years of following the signing of the agreement and 2) the legal sale of adult-use cannabis in a retail store on or before January 1, 2025 (the "Recreational Sales Milestone").

The following table provides an overview of store count, share quantities, and the fair value of shares at the issuance date:

Dharma Pharmaceuticals, LLC

Date of issuance	# of stores opened	Number of Subordinate Voting Shares issued	Fair Value in thousands
August 16, 2021	1	199,993	$5,949
February 25, 2022	2	667,080	13,111
June 1, 2023	1	822,447	6,070
July 10, 2023	1	792,424	6,454
Total	5	**2,481,944**	**$31,584**

As of December 31, 2023 and 2022, 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 $33,250 thousand and $41,943 thousand, respectively. As of December 31, 2022, $11,400 thousand of the total value of the contingent consideration was included within current liabilities on the Company's consolidated balance sheets. As of December 31, 2023, no portion of the contingent consideration was included within current liabilities on the Company's consolidated balance sheets.

On February 9, 2024, the Company and the former owners of Dharma agreed to amend the conditions as set forth in the original purchase agreement in relation to the Recreational Sales Milestone (the "Amended Agreement"). Under the Amended Agreement, the former owners waived their right to the Recreational Sales Milestone in exchange for the delivery of 1,250,000 Subordinate Voting Shares of Green Thumb. As a result, the Company recorded a gain of $16,810 thousand during Q1 2024 within sales general and administrative expenses on the consolidated statement of operations, representing the extinguishment of the Recreational Sales Milestone obligation less the estimated fair value of the shares under the Amended Agreement. On February 15, 2024, the Company distributed the shares to the former owners of Dharma, which had a fair market value of $17,259 thousand, which was based on the value of the shares as traded on the Canadian Securities Exchange on the date of distribution.

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

10. SHARE CAPITAL *(Continued)*

(b) Issued and Outstanding *(Continued)*

(iii) Distribution of Deferred Shares

As part of the consideration exchanged for certain acquisitions completed throughout 2021, the Company deferred the distribution of Subordinate Voting Shares to secure the Company's indemnification rights associated with post-acquisition costs.

The following table summarizes the activity during the years ended December 31, 2023, 2022 and 2021:

	Related Acquisition								
	For Success Holding Company	**Southern CT Wellness and Healing**	**Liberty Compassion, Inc.**	**Dharma Pharmaceuticals, LLC**	**Mobley Pain Management and Wellness Center, LLC and Canwell Processing, LLC**	**GreenStar Herbals, Inc.**	**Maryland Health and Wellness Center, Inc.**	**LeafLine Industries, LLC**	**Total**
As at January 1, 2021	147,095	32,205	—	—	—	—	—	—	179,300
Issued	—	—	260,419	229,878	303,599	161,306	61,832	386,002	1,403,036
Distributed Shares	(146,315)	(32,204)	(43,948)	—	—	—	—	—	(222,467)
Cancelled Shares	(780)	(1)	—	—	—	—	—	—	(781)
Other	—	—	—	—	(38,839)	—	—	—	(38,839)
As at December 31, 2021	—	—	216,471	229,878	264,760	161,306	61,832	386,002	1,320,249
As at January 1, 2022	—	—	216,471	229,878	264,760	161,306	61,832	386,002	1,320,249
Distributed Shares	—	—	—	—	—	—	—	—	—
Cancelled Shares	—	—	—	—	—	—	—	—	—
Other	—	—	(1,703)	—	—	—	—	—	(1,703)
As at December 31, 2022	—	—	214,768	229,878	264,760	161,306	61,832	386,002	1,318,546
As at January 1, 2023	—	—	214,768	229,878	264,760	161,306	61,832	386,002	1,318,546
Distributed Shares	—	—	(214,768)	(229,878)	(12,305)	(161,306)	(61,832)	—	(680,089)
Cancelled Shares	—	—	—	—	(84,122)	—	—	—	(84,122)
Other	—	—	—	—	—	—	—	—	—
As at December 31, 2023	—	—	—	—	168,333	—	—	386,002	554,335

As of December 31, 2023 and 2022, the Company held deferred shares in the amount of $12,973 thousand and $36,211 thousand, respectively. In accordance with the relevant acquisition agreement, a portion of the outstanding deferred shares were cancelled in order to indemnify the Company for post-acquisition costs. As the cancellation of the deferred shares occurred outside of the purchase price allocation measurement period (generally one year from the acquisition date), the Company recorded a gain of $2,784 thousand within selling general and administrative expenses on the Company's consolidated statements of operations during the year ended December 31, 2023.

(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 with the issuance of the registered shares. Such fees have been recorded within contributed surplus (deficit) within the Company's consolidated balance sheet.

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

(b) Issued and Outstanding *(Continued)*

(v) Repurchase of Subordinate Voting Shares

On September 5, 2023, the Company announced that its Board of Directors authorized the Company to repurchase up to 5%, or 10,486,951 of its Subordinate Voting Shares over a 12-month period at an aggregate cost of up to $50,000 thousand. Through December 31, 2023, the Company repurchased 3,843,126 Subordinate Voting Shares at an average price of $10.37 per share.

On February 28, 2024, the Company's Board of Directors authorized an increase in its share repurchase program by $50,000 thousand, bringing the total remaining repurchase ability to approximately $60,000 thousand.

(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 and Amendment No. 2 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
Balance as of December 31, 2022	9,577,947	$12.71	4.80	$26,961
Granted	2,451,405	7.90		
Exercised	(477,545)	7.58		
Forfeited	(1,480,340)	12.86		
Balance as of December 31, 2023	10,071,467	$11.75	4.31	$22,442
Exercisable as of December 31, 2023	3,467,131	$7.99	2.79	$11,282

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, 2023 and 2022, 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, 2023 and 2022, 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.

10. 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, 2023, 2022 and 2021:

	Years Ended December 31,		
	2023	2022	2021
Weighted average grant date fair value (per share) of stock option units granted	$4.24	$5.37	$14.47
Intrinsic value of stock option units exercised, using market price at exercise date *(in thousands)*	$996	$2,390	$18,142

The Company used the Black-Scholes Option Pricing model to estimate the fair value of the options granted during the years ended December 31, 2023 and 2022, using the following ranges of assumptions:

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.06% - 4.32%	1.18% - 3.54%
Expected dividend yield	0%	0%
Expected volatility	64%	60% - 64%
Expected option life	3.5 – 4.5 years	3 – 4.5 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, 2023 and 2022 and the changes during the year ended December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Shares at December 31, 2022	947,502	$ 17.91
Granted	3,607,667	7.87
Forfeited	(483,393)	10.39
Vested	(451,138)	15.17
Unvested Shares at December 31, 2023	3,620,638	$ 9.25

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, 2023, 2022 and 2021:

	Years Ended December 31,		
	2023	2022	2021
Weighted average grant date fair value (per share) of RSUs granted	$ 7.87	$ 17.84	$ 27.82

The stock-based compensation expense for the years ended December 31, 2023, 2022 and 2021 was as follows:

	Years Ended December 31,		
	2023	2022	2021
		(in thousands)	
Stock options expense	$ 16,826	$ 19,062	$ 13,198
Restricted Stock Units	11,363	8,078	6,402
Total Stock Based Compensation Expense	$ 28,189	$ 27,140	$ 19,600

As of December 31, 2023, $40,121 thousand of total unrecognized expense related to stock-based compensation awards is expected to be recognized over a weighted-average period of 1.96 years.

11. 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 basis.

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

For the years ended December 31, 2023, 2022 and 2021, income taxes expense consisted of:

	Years Ended December 31, 2023	2022	2021
	(in thousands)		
Current:			
Federal	$ 108,399	$ 106,425	$ 96,749
State	24,674	36,436	35,402
Foreign	—	—	—
Total Current	133,073	142,861	132,151
Deferred:			
Federal	(10,694)	(37,362)	(6,151)
State	(3,749)	(10,722)	(1,388)
Foreign	—	—	—
Total Deferred	(14,443)	(48,084)	(7,539)
Total	**$ 118,630**	**$ 94,777**	**$ 124,612**

The difference between the income tax expense for the years ended December 31, 2023, 2022 and 2021 and the expected income taxes based on the statutory tax rate applied to earnings (loss) arises as follows:

11. INCOME TAX EXPENSE *(Continued)*

	Years Ended December 31,		
	2023	2022	2021
	(in thousands)		
Income before Income Taxes	$ 156,049	$ 108,432	$ 204,975
Statutory Tax Rates	21%	21%	21%
Expense/(Recovery) based on Statutory Rates	32,770	22,771	43,045
State Taxes	21,514	24,077	31,476
Provision to Return Adjustment	(9,188)	499	971
Adjustments for Stock Compensation	2,082	497	(1,836)
Non-deductible Expenses	49,635	40,870	40,847
Change in State Rate Reconciliation	(27)	(127)	54
Change in Valuation Allowance	32	(25,970)	10,712
Change in Uncertain Tax Position	23,362	30,607	2,776
Other Differences	(1,550)	1,553	(3,433)
Income Tax Expense	**$ 118,630**	**$ 94,777**	**$ 124,612**

Income taxes paid for the years ended December 31, 2023, 2022 and 2021 were $99,535 thousand, $118,176 thousand and $148,104 thousand, respectively.

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

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

At December 31, 2023 and 2022, the components of deferred tax assets and liabilities were as follows:

	Years Ended December 31,	
	2023	2022
	(in thousands)	
Deferred Tax Assets		
Operating Lease Liabilities	$ 58,591	$ 60,588
Net Operating Losses	734	1,864
163(j) Interest Limitation	7,313	7,499
Stock-based Compensation	14,166	10,646
Capitalized Inventory	7,725	5,846
Fair Value Investments	8,875	3,306
Other	7,084	5,391
Valuation Allowance	(734)	(702)
Total Deferred Tax Assets	103,754	94,438
Deferred Tax Liabilities		
Operating Right of Use Assets	$ (53,040)	$ (56,546)
Warrant Fair Value Derivative	(5,097)	(4,804)
Intangibles	(50,594)	(52,508)
Total Deferred Tax Liabilities	(108,731)	(113,858)
Net Deferred Tax Liabilities	**$ (4,977)**	**$ (19,420)**

11. 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, 2023 and 2022 in the amount of $734 thousand and $702 thousand, respectively.

As of December 31, 2023, the Company had $2,630 thousand of gross federal net operating loss carryforwards which will not expire. Additionally, the Company had $2,108 thousand of gross state net operating loss carryforwards, if not claimed, begin to expire in 2031. The Company's evaluation concluded that the majority of the net operating losses will be realized.

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:

	2023	2022	2021
	(in thousands)		
Balance at Beginning of Year	**$ 43,130**	**$ 13,117**	**$ 10,341**
Gross increases related to tax positions in a prior period	8,919	9,531	823
Gross decreases related to tax positions in a prior period	(3,193)	(1,100)	—
Gorss increases related to tax positions in the current period	17,676	21,582	6,166
Gross decreases related to tax positions in a current period	(40)	—	(4,213)
Balance at End of Year	**$ 66,492**	**$ 43,130**	**$ 13,117**

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2023, 2022 and 2021, we recognized $10,042 thousand, $3,555 thousand and $1,377 thousand of interest and penalties, respectively. As of December 31, 2023 and 2022 we have accrued for interest and penalties of $14,617 thousand and $4,575 thousand of interest and penalties, respectively. As of December 31, 2023, $5,565 thousand of unrecognized tax benefits are expected to be recovered over the next 12 months. We file income tax returns in the US, various state jurisdictions, and Canada, which jurisdictions have varying statutes of limitations. The US federal statute of limitation remains open for the 2020 tax year to the present. The state income tax returns generally remain open for the 2020 tax year through the present. Net operating loss arising prior to these years are also open to examination if and when utilized.

12. OTHER INCOME (EXPENSE)

For the years ended December 31, 2023, 2022 and 2021 other income (expense) was comprised of the following:

	Years Ended December 31,		
	2023	2022	2021
	(in thousands)		
Fair value adjustments on equity investments	$ (17,868)	$ (23,270)	$ 5,955
Fair value adjustments on equity method investments	—	10,955	—
Gain (loss) on extinguishment of debt	1,283	—	(10,645)
Fair value adjustments on warrants issued	1,403	20,357	14,577
Earnings (loss) from equity method investments	(1,166)	(4,259)	1,799
Other	141	716	(1,009)
Total Other Income (Expense)	**$ (16,207)**	**$ 4,499**	**$ 10,677**

13. 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 reasonably 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.

(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, 2023 and 2022, 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. The following is an update to the status of previously disclosed matters as of December 31, 2023:

> Cresco Labs New York, LLC and Cresco Labs LLC ("Plaintiffs") filed an amended complaint (the "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, alleging Defendant breached the parties' Equity Purchase Agreement Letter of Intent relating to the acquisition of Defendant by Plaintiffs. On October 18, 2023, all pending motions were withdrawn and Plaintiffs' claims were dismissed with prejudice. Accordingly, the Company reduced its loss contingency associated with the Complaint from $900 thousand as of December 31, 2022 to $0 at December 31, 2023.

At December 31, 2023 and 2022, 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, 2023, the Company held approximately $7,200 thousand of open construction commitments to contractors on work being performed which are generally expected to be completed within 12 months.

14. 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, 2023 and 2022 was $308,523 thousand and $275,668 thousand, which includes $2,996 thousand and $1,037 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, 2023 and 2022:

	As of December 31, 2023 (in thousands)			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents	$ 161,634	$ —	$ —	$ 161,634
Investments	24,215	—	40,146	64,361
Contingent Consideration Payable	—	—	(33,250)	(33,250)
Warrant Liability	—	—	(3,117)	(3,117)
	$ 185,849	**$ —**	**$ 3,779**	**$ 189,628**

	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**

14. 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. No gains or losses were recorded during the year ended December 31, 2023 as the liabilities were fully extinguished as of December 31, 2022. 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.

15. SEGMENT REPORTING

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

The below table presents revenues by type for the years ended December 31, 2023, 2022 and 2021:

	Years Ended December 31,		
	2023	2022	2021
		(in thousands)	
Revenues, Net of Discounts			
Retail	$ 791,480	$ 763,166	$ 614,739
Consumer Packaged Goods	559,480	495,101	467,258
Intersegment Eliminations	(296,407)	(240,892)	(188,437)
Total Revenues, Net of Discounts	**$ 1,054,553**	**$ 1,017,375**	**$ 893,560**
Depreciation and Amortization			
Retail	$ 37,568	$ 43,498	$ 31,619
Consumer Packaged Goods	63,222	53,166	36,839
Intersegment Eliminations	—	—	—
Total Depreciation and Amortization	**$ 100,790**	**$ 96,664**	**$ 68,458**
Income Taxes			
Retail	$ 64,060	$ 53,869	$ 66,908
Consumer Packaged Goods	54,570	40,908	57,704
Intersegment Eliminations	—	—	—
Total Income Taxes	**$ 118,630**	**$ 94,777**	**$ 124,612**

Goodwill assigned to the Consumer Packaged Goods segment as of December 31, 2023 and 2022 was $315,889 thousand and $315,889 thousand, respectively. Intangible assets, net assigned to the Consumer Packaged Goods segment as of December 31, 2023 and 2022 was $260,186 thousand and $286,922 thousand, respectively.

Goodwill assigned to the Retail segment as of December 31, 2023 and 2022 was $273,802 thousand and $273,802 thousand, respectively. Intangible assets, net assigned to the Retail segment as of December 31, 2023 and 2022 was $278,492 thousand and $302,597 thousand, respectively.

The Company's assets are aggregated into two reporting units (Retail and Consumer Packaged Goods) which align with our reportable segments. All revenues are derived from customers domiciled in the United States and all assets are located in the United States.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains selected quarterly data for 2023 and 2022. 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	Fourth Quarter	Full Year
			(in thousands)		
2023					
Net Sales	$ 248,536	$ 252,388	$ 275,398	$ 278,231	$ 1,054,553
Income from operations	44,202	41,063	49,027	50,340	184,632
Net Income attributable to Green Thumb Industries Inc.	9,139	13,400	10,512	3,216	36,267
Net Income per share – basic	0.04	0.05	0.05	0.01	0.15
Net Income per share – diluted	0.04	0.05	0.05	0.01	0.15
Weighted average number of common shares outstanding - basic	237,398,253	238,000,135	239,459,783	236,934,348	237,927,867
Weighted average number of common shares outstanding - diluted	237,686,092	238,423,288	240,289,959	239,162,831	239,827,390

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
			(in thousands)		
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

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, 2023 and 2022, the related consolidated statements of operations, changes in shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2023, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, 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 matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates 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 matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Evaluation

Critical Audit Matter Description

As described in Note 2 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, 2023. The Company performed the optional qualitative assessment to determine whether it was more likely than not (that is a likelihood of more than 50 percent) that the fair value of the reporting units was less than their carrying amounts, including goodwill.

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

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

How We Addressed the Matter in Our Audit

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

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

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

/s/ Baker Tilly US, LLP
Chicago, Illinois

February 29, 2024