JUSHI HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 and 2019

(Expressed in United States Dollars)

JUSHI HOLDINGS INC. AND SUBSIDIARIES
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts Expressed in United States Dollars)

	Note	March 31, 2020 (Unaudited)	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 35,718,343	$ 38,935,652
Investments in securities	4	13,569,025	12,266,735
Other short-term financial assets	4	-	5,646,419
Accounts receivable		226,460	394,683
Prepaid expenses		1,899,476	2,565,020
Other current assets		259,069	188,007
Inventory	5	2,509,753	1,957,679
Biological assets	5	269,395	271,434
Deferred acquisition costs	6	2,320,000	2,320,000
Total current assets		$ 56,771,521	$ 64,545,629
NON-CURRENT ASSETS:			
Property, plant and equipment	7	$ 33,169,576	$ 22,592,467
Other long-term assets		1,555,317	1,180,455
Other intangible assets, net	9	97,681,516	93,685,586
Goodwill	9	28,055,238	28,055,238
Total long-term assets		$ 160,461,647	$ 145,513,746
Total assets		$ 217,233,168	$ 210,059,375
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable		$ 1,530,990	$ 1,182,819
Accrued expenses and other current liabilities	10	11,691,069	7,690,549
Short-term promissory notes payable	12	13,098,807	15,634,563
Short-term lease obligations	11	1,370,443	969,312
Short-term redemption liability	8	-	8,439,857
Total current liabilities		$ 27,691,309	$ 33,917,100
LONG-TERM LIABILITIES:			
Other liabilities		$ -	$ 1,653
Long-term promissory notes payable	12	4,947,218	9,988,044
Senior notes	13	34,930,091	10,735,752
Derivative warrants liability	13	9,901,212	5,528,555
Long-term lease obligations	11	12,590,246	5,528,928
Deferred tax liabilities	16	21,988,224	20,334,745
Total liabilities		$ 112,048,300	$ 86,034,777
COMMITMENTS AND CONTINGENCIES	18		
EQUITY:			
Share capital and share reserves	14,15	$ 158,089,573	$ 163,031,539
Accumulated deficit		(64,283,949)	(48,666,703)
Total Jushi stockholders' equity		$ 93,805,624	$ 114,364,836
Non-controlling interests	17	11,379,244	9,659,762
Total equity		$ 105,184,868	$ 124,024,598
Total liabilities and equity		$ 217,233,168	$ 210,059,375

See accompanying notes to the consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Amounts Expressed in United States Dollars)

	Note	Three Months Ended March 31, 2020 (unaudited)	Three Months Ended March 31, 2019 (unaudited)
Revenue		$ 8,632,574	$ 380,689
Cost of goods sold	5	(4,547,390)	-
Gross profit before fair value adjustments		$ 4,085,184	$ 380,689
Fair value adjustment on sale of inventory		(126,777)	-
Fair value adjustment on biological assets	5	200,200	-
Gross profit		$ 4,158,607	$ 380,689
Operating expenses:			
General and administrative expenses	19	$ 3,745,676	$ 2,928,134
Salaries, wages and employee related expenses		5,086,811	1,244,621
Share-based compensation expense	14,15	1,318,673	401,044
Acquisition and deal costs	8	484,605	1,537,135
Depreciation and amortization expense	7,9	1,016,482	146,655
Total operating expenses		$ 11,652,247	$ 6,257,589
Loss from operations before other (expense) income		$ (7,493,640)	$ (5,876,900)
Other (expense) income:			
Interest income		$ 76,699	$ 33,864
Fair value changes in derivative warrants	13	2,587,264	-
Interest expense and finance charges	8,11,12,13	(2,951,868)	(115,947)
Net gain on business combination	8,9	2,202,240	-
(Losses) gains on investments and financial assets	4	(8,209,978)	8,522
Other expense, net	7,9	(760,481)	(4,356)
Total other (expense) income		$ (7,056,124)	$ (77,917)
Net loss and comprehensive loss before tax		$ (14,549,764)	$ (5,954,817)
Income tax expense	16	(1,348,000)	-
Net loss and comprehensive loss after tax		$ (15,897,764)	$ (5,954,817)
Net loss attributable to non-controlling interests		(280,518)	-
Net loss and comprehensive loss attributable to Jushi shareholders - basic and diluted		$ (15,617,246)	$ (5,954,817)
Net loss and comprehensive loss per share attributable to Jushi shareholders - basic and diluted	3	$ (0.17)	$ (0.12)
Weighted average shares outstanding - basic and diluted	3	93,317,981	49,426,639

See accompanying notes to the consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts Expressed in United States Dollars)

	Number of Shares			Share Reserves							
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Stock Options	Warrants	Restricted Shares	Share Capital	Accumulated Deficit	Total Jushi Stockholders' Equity	Non-Controlling Interests	Total Equity
Balances -December 31, 2018	149,000	4,000,000	44,094,281	$ 452,051	$ 9,503,842	$ 31,056	$ 49,585,192	$ (18,055,976)	$ 41,516,165	$ -	$ 41,516,165
Issuance of shares and warrants for cash	-	-	8,080,000	-	394,907	-	15,705,093	-	16,100,000	-	16,100,000
Capital raising costs	-	-	-	-	-	-	(158,522)	-	(158,522)	-	(158,522)
Restricted stock grants	-	-	-	-	-	46,583	-	-	46,583	-	46,583
Warrant expense	-	-	-	-	57,593	-	-	-	57,593	-	57,593
Stock option expense	-	-	-	296,868	-	-	-	-	296,868	-	296,868
Net loss	-	-	-	-	-	-	-	(5,954,817)	(5,954,817)	-	(5,954,817)
Balances - March 31, 2019	149,000	4,000,000	52,174,281	$ 748,919	$ 9,956,342	$ 77,639	$ 65,131,763	$ (24,010,793)	$ 51,903,870	$ -	$ 51,903,870

	Number of Shares			Share Reserves							
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Stock Options	Warrants	Restricted Shares	Share Capital	Accumulated Deficit	Total Jushi Stockholders' Equity	Non-Controlling Interests	Total Equity
Balances - December 31, 2019	149,000	4,000,000	91,842,638	$ 1,927,351	$ 12,392,367	$ 1,103,549	$ 147,608,272	$ (48,666,703)	$ 114,364,836	$ 9,659,762	$ 124,024,598
TGS Transaction	-	-	(4,800,000)	-	(117,000)	-	(7,008,000)	-	(7,125,000)	4,661,000	(2,464,000)
Purchase of non-controlling interests	-	-	633,433	-	-	-	811,000	-	811,000	(4,661,000)	(3,850,000)
Non-controlling interests for Jushi Europe	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Restricted stock grants and vesting	-	-	315,777	-	-	547,936	100,219	-	648,155	-	648,155
Warrant expense	-	-	-	-	166,519	-	-	-	166,519	-	166,519
Stock option expense, net of forfeitures	-	-	-	557,360	-	-	-	-	557,360	-	557,360
Net loss	-	-	-	-	-	-	-	(15,617,246)	(15,617,246)	(280,518)	(15,897,764)
Balances - March 31, 2020	149,000	4,000,000	87,991,848	$ 2,484,711	$ 12,441,886	$ 1,651,485	$ 141,511,491	$ (64,283,949)	$ 93,805,624	$ 11,379,244	$ 105,184,868

See accompanying notes to the consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts Expressed in United States Dollars)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (15,897,764)	$ (5,954,817)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization, including amounts in costs of goods sold	1,049,628	146,655
Share-based payments	1,318,673	401,044
Fair value changes in derivative warrants	(2,587,264)	-
Net gain on business combination	(2,202,240)	-
Losses (gains) on investments and financial assets	8,209,978	(8,522)
Finance charge on lease liabilities	338,307	29,002
Other non-cash interest expense	1,069,826	86,945
Deferred income taxes	(374,037)	-
Fair value adjustments on sale of inventory and on biological assets	(73,423)	-
Non-cash other expense, net	760,481	-
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	$ 168,223	$ 264,070
Prepaid expenses and other current assets	679,482	(680,062)
Inventory and biological assets	(376,612)	(710,625)
Other long-term assets	(374,862)	84,998
Accounts payable and accrued expenses	612,998	1,429,957
Net cash flows used in operating activities	$ (7,678,606)	$ (4,911,355)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	$ (4,527,538)	$ -
Payments for deferred acquisition costs	-	(2,520,000)
Purchases of property, plant and equipment	(956,231)	(3,880,272)
Payments for investments in securities, net	(7,967,202)	-
Proceeds from financial asset	5,193,353	-
Net cash flows used in investing activities	$ (8,257,618)	$ (6,400,272)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares for cash, net	$ -	$ 15,941,478
Proceeds from issuance of 10% Senior Notes and derivative warrants, net of financing costs	18,725,772	-
Principal and financing costs on promissory notes payable	(7,624,609)	-
Payments on lease obligations	(380,408)	(60,201)
Contribution from non-controlling interests	2,000,000	-
Net cash flows provided by financing activities	$ 12,720,755	$ 15,881,277
Effect of currency translation on cash	(1,840)	-
NET CHANGE IN CASH	$ (3,217,309)	$ 4,569,650
CASH, BEGINNING OF PERIOD	38,935,652	38,113,861
CASH, END OF PERIOD	$ 35,718,343	$ 42,683,511
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 2,010,131	$ -
Cash paid for income taxes	$ 337,984	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	$ 2,685,283	$ -
Right of use assets from lease liabilities upon adoption of IFRS 16	$ -	$ 614,074
Right of use assets from lease liabilities	$ 6,630,785	$ 199,033
Right of use assets from lease liabilities from acquisition	$ 1,578,309	$ -
Senior Notes obligations from acquisition	$ 11,555,312	$ -
Net fair value of non-cash consideration paid for acquisition	$ 15,689,000	$ -
Original issue discount on 10% Senior Notes	$ 1,734,711	$ -

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the "Company" or "Jushi"), formerly known as Tanzania Minerals Corp. ("Tanzania"), was incorporated under the British Columbia's Business Corporations Act ("BCBCA"), primarily to engage globally in the business of cultivation, manufacturing, distribution and retail of both medical and adult-use products derived from cannabis and hemp.

In the United States Jushi is focused on building a multi-state portfolio of branded cannabis and hemp-derived assets through opportunistic acquisitions, distressed workouts and competitive applications.

Jushi's strategic approach to its business has been to target limited license medical markets such as Pennsylvania, Virginia and Ohio, as well as large adult-use markets such as Illinois, California and Nevada. Jushi has rights to or has purchased controlling interests in existing licenses as well as made applications for licenses directly. As of March 31, 2020, Jushi, through its subsidiaries, owns or manages cannabis operations and/or holds licenses in the adult use and/or medicinal cannabis marketplace in Illinois, Pennsylvania, Virginia, Nevada, and Ohio with ongoing expansion and build-out plans in these jurisdictions as well as in California. Jushi also has plans to expand into Europe.

In June 2019, Jushi Inc, completed a reverse takeover ("RTO") of Tanzania. The RTO was structured as a series of transactions, including a Canadian three-cornered amalgamation. Prior to the RTO, Jushi Acquisition Corp., a special purpose corporation, completed a private placement. Refer to Note 3. "Reverse Takeover and Private Placement" for further information. Following the RTO, the Company's subordinate voting shares ("SVS") were listed on the NEO Exchange Inc. ("NEO") under the symbol JUSH-B. The Company's SVS were listed on the NEO until Friday, December 6, 2019. On December 9, 2019, the Company listed on the Canadian Securities Exchange (the "CSE") and began trading under the ticker symbol "JUSH". The Company's SVS are also traded on the OTCQX under the symbol JUSHF.

The Company's registered office is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the three months ended March 31, 2020.

These condensed interim consolidated financial statements for the three months ended March 31, 2020, have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2019, which were filed on May 7, 2020 on SEDAR. These condensed unaudited interim consolidated financial statements were approved by the Board of Directors on July 6, 2020.

Basis of Measurement

These condensed unaudited interim consolidated financial statements have been prepared in U.S. dollars on the going concern basis, under the historical cost convention, except for biological assets and certain financial instruments, which are measured at fair value less costs to sell and fair value, respectively.

The Company's business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceeding that may be brought against the Company could have a material adverse effect on the Company's business plans, financial condition and results of operations.

Functional Currency

The Company and its affiliates' functional currency, as determined by management, is the United States ("U.S.") dollar. These condensed unaudited interim consolidated financial statements are presented in U.S. dollars. Transactions in foreign currencies are recorded at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated the functional currency at the foreign exchange rate in effect at that date. Realized and unrealized exchange gains and losses are recognized through profit and loss.

Reclassifications

Where necessary, certain prior period data has been reclassified to conform to current period presentation. Salaries, wages and employee related expenses, and acquisition and deal costs are separately presented within the condensed unaudited interim consolidated statements of operations in the current period, whereas in the comparative prior period these amounts were presented within general and administrative expenses. Gains on investments in financial assets are separately presented within the condensed unaudited interim consolidated statements of operations in the current period, whereas in the comparative prior period these amounts were presented within interest income. Share reserves are separately presented within the condensed unaudited interim consolidated statements of equity in the current period, whereas in the comparative prior period these amounts were presented within share capital. These reclassifications did not have an effect on net loss, loss per share or cash flows for the periods presented.

Basis of Consolidation

These condensed unaudited interim consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and entities over which the Company has control as defined in IFRS 10 *Consolidated Financial Statements*. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. All intercompany balances and transactions are eliminated on consolidation.

The following are the Company's subsidiaries that are included in these condensed unaudited interim consolidated financial statements as of March 31, 2020:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

NAME [(1)(2)(3)]	STATE OR COUNTRY OF INCORPORATION	OWNERSHIP PERCENTAGE
Jushi Inc	Delaware	100%
Bear Flag Assets, LLC *and its wholly owned Subsidiaries*	California	100%
Beyond Hello IL Holdings, LLC *(formerly known as TGS Illinois Holdings, LLC)* [(4)]	Illinois	100%
Jushi IP, LLC	Delaware	100%
JREH, LLC *and its wholly owned*	Delaware	100%
Subsidiaries	Delaware	100%
Sound Wellness Holdings, Inc. *and its wholly owned Subsidiaries*	Delaware	100%
Mend Products, LLC		
JMGT, LLC	Florida	100%
Production Excellence, LLC	Nevada	100%
Jushi Ampal NJ, LLC	New Jersey	75%
Jushi OH, LLC	Ohio	100%
Franklin Bioscience - Penn LLC *and its wholly owned Subsidiaries*	Pennsylvania	100%
Jushi VA, LLC	Virginia	100%
Dalitso, LLC	Virginia	61.765%
Jushi Europe SA	Switzerland	51%

(1) The Company consolidates an Ohio Provisional License Holder, of which it has a 0% ownership percentage, since the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(2) The Company consolidates Franklin Bioscience NV, LLC, of which it currently has a 0% ownership percentage, since the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(3) Certain subsidiaries have been omitted since in aggregate they do not represent a significant subsidiary.

(4) This subsidiary was added during the first quarter of 2020. Refer to Note 8. “Business Combinations and Asset Acquisitions” for a discussion of business combinations and asset acquisitions and of the Company’s interest in these subsidiaries.

Critical Accounting Policies and Significant Judgments, Estimates and Assumptions

The preparation of the Company’s condensed unaudited interim 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. Critical accounting policies, judgements, estimates, and assumptions within these condensed unaudited interim consolidated financial statements, unless stated herein, remain the same as those applied to the annual consolidated financial statements for the year ended December 31, 2019.

The novel coronavirus or COVID-19 was declared a pandemic by the World Health Organization on March 12, 2020 and has caused significant economic uncertainty and consequently it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.

Revenue Recognition

Retail and Wholesale Revenues

Under IFRS 15, revenue from the sale of goods is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. Under IFRS 15 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. Net revenue as presented in the condensed interim consolidated statements of operations and comprehensive loss, represents revenue from the sale of goods, which is the selling price less applicable price discounts and incentives.

The Company recognized total net retail and wholesale revenues of $8.6 million and $nil for the three months ended March 31, 2020 and 2019, respectively. These revenues related primarily to retail revenues. The revenues for the three months ended March 31, 2019 related to franchise fees and royalties.

Segments

The Company currently operates in one segment, retail operations. The Company's cultivation operations are not considered significant to the overall operations of the Company. Any intercompany sales and transactions are eliminated in consolidation. All wholesale and retail revenues for the year ended December 31, 2019, were generated within the United States, and all long-lived assets are located in the United States.

Goodwill and Indefinite-Lived Intangible Assets

As a result of the economic conditions caused by COVID-19 experienced during the first quarter of 2020, the Company determined that the disruption in its business represented a triggering event had occurred. As a result of the assessments covering all cash generating units ("CGU's") performed by the Company, it was determined that additional testing was required for Franklin BioScience NV, LLC ("FBS NV"). The Company therefore performed an impairment test on the goodwill acquired for FBS NV and calculated that the CGU's recoverable amount was higher than the carrying amount of the CGU as of March 31, 2020, therefore, no impairment was recognized. The carrying amount tested was $7.7 million for FBS Nevada. For the three months ended March 31, 2020, the Company estimated the fair value using a fair value less cost of disposal approach ("FVLCD"). Under this approach, a discounted cash flow methodology was used, considering: (i) management estimates, such as projections of revenue, operating costs and cash flows, taking into consideration historical and anticipated financial results; (ii) general industry, economic and market conditions; (iii) legal outlook assumptions; and (iv) the impact of planned business and operational strategies. The key assumptions include a five-year forecast period and a perpetual growth rate of 3% thereafter. These assumptions were based on industry and market trends. The estimated discount rate was 14.5% and were determined using the Company's estimated weighted average cost of capital at the time of the analysis. Expected cash flow was based on expectations of future income taking into account past experience, adjusted for anticipated growth. The recoverable amount exceeded the carrying amount by approximately 5% as of March 31, 2020 and therefore no impairment was recognized. A 100 basis point increase in the discount rate would have not resulted in the total carrying values exceeding the fair value.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Recent Accounting Pronouncements

The Company does not believe any recently issued, but not yet effective IFRS standards that have been issued by the IASB will have a material impact on the Company's financial statements.

3. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to Jushi stockholders by the weighted average number of common shares outstanding (which includes all of the Company's shares outstanding on a non-converted basis) during the respective periods presented. Diluted earnings (loss) per share is calculated by dividing the net income (loss) attributable to Jushi stockholders by the weighted average number of common shares that would have been outstanding during the respective period had all dilutive potential common shares outstanding at period-end been converted into shares at the beginning of the period and the proceeds used to repurchase the Company's common shares at the average market price for the period. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share. No dilutive potential shares of common stock were included in the computation of diluted net loss per share for the three months ended March 31, 2020, or 2019, because their effect would be anti-dilutive.

The outstanding number and type of securities that would potentially dilute basic loss per common share which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented, are as follows: stock options, warrants (including derivative warrants) and convertible promissory notes.

4. INVESTMENTS IN SECURITIES AND OTHER SHORT-TERM FINANCIAL ASSETS

Details of investments in securities and other short-term financial assets as of March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Investments in Securities:		
Investments in mutual funds	$ 8,059,197	$ 1,272,200
Organigram shares	832,120	-
Cresco shares and warrants	4,677,708	10,994,535
Total investments in securities	$ 13,569,025	$ 12,266,735
Other Short-Term Financial Assets:		
Cresco Notes and accrued interest	$ -	$ 5,646,419
Other short-term financial assets	$ -	$ 5,646,419

Investments in Mutual Funds and Organigram Shares

The Company has classified its investments in securities as fair value through profit or loss. Fair values of the investments in mutual funds and the shares in Organigram Holdings, Inc. ("Organigram") are determined based on quoted market prices. A total of 416,060 Organigram common shares were received in connection with the TGS Transaction. Refer to Note 8. "Business Combinations and Asset Acquisitions".

Cresco

In October 2019, as consideration for its sale in GSC, the Company was issued 7,180 of Cresco Labs Inc. ("Cresco") proportionate voting shares (which were converted in January 2020 into a total of 1,436,000 Cresco subordinate voting shares), 1,657 warrants for proportionate voting shares of Cresco which convert into 331,400 warrants for Cresco subordinate voting shares, and received $5.2 million of short-term secured notes (the "Cresco Notes") and $0.1 million of cash. The Company is also eligible to receive certain contingency payouts, which are tied to both the performance of the Gloucester operations as well as the development of the New York market. The outcome of the contingency is not able to be estimated as of March 31,2020, primarily because the New York market condition is unknown.

As of March 31, 2020, the original received Cresco shares and warrants, are valued at $4.3 million and $0.2 million, respectively, and the additional accrued shares from interest receivable to the Company from the Cresco Notes are valued at $0.2 million, for a total of $4.7 million. As of December 31, 2019, the Cresco shares and warrants, were valued at $9.8 million and $1.1 million, respectively, for a total of $10.9 million. The Company has classified these investments as fair value through profit or loss. The fair value of the tradeable shares was determined based on the quoted market price. As of March 31, 2020, the fair value of the warrants was determined based on a Black-Scholes model using the quoted market price of $2.98 and the following assumptions: a strike price of $4.24; an estimated life of 1.5 years; volatility of 70%; a risk-free rate of 0.20%; and a dividend rate of 0%. As of December 31, 2019, the fair value of the warrants was determined based on a Black-Scholes model using the quoted market price of $6.86 and the following assumptions: a strike price of $4.24; an estimated life of 1.5 years; volatility of 70%; a risk-free rate of 1.59%; and a dividend rate of 0%. The warrants are exercisable at any time and expire three years from the grant date.

As of December 31, 2019, the $5.2 million Cresco Notes, which were receivable in cash, and the related accrued interest of approximately $0.5 million, which was receivable in Cresco shares, were both included in other short-term financial assets in the consolidated statements of financial position. During the first quarter of 2020, the Company received proceeds of $5.2 million from the repayment of the short-term secured note and was granted 330 Cresco Labs Inc. proportionate voting shares worth $0.4 million as payment for the interest accrued on the short-term secured note.

A continuity of investments in securities and other short-term financial assets is as follows:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	Investment in Mutual Funds	Organigram Shares	Cresco Shares and Warrants	Cresco Notes and Accrued Interest	Total
Balance as of December 31, 2019	$ 1,272,200	$ -	$ 10,994,535	$ 5,646,419	$ 17,913,154
Cash invested	10,000,000	-	-	-	10,000,000
Redemption of invested funds	(2,032,798)	-	-	-	(2,032,798)
Shares received/granted	-	1,092,000	387,495	(387,495)	1,092,000
Cash received	-	-	-	(5,193,353)	(5,193,353)
Fair value losses, net of income	(1,180,205)	(259,880)	(6,704,322)	(65,571)	(8,209,978)
Balance as of March 31, 2020	$ 8,059,197	$ 832,120	$ 4,677,708	$ -	$ 13,569,025

The fair value losses, net of income are included in losses on investments and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

Refer to Note 21. "Subsequent Events".

5. INVENTORY AND BIOLOGICAL ASSETS

Inventory

Inventory as of March 31, 2020 and December 31, 2019 consisted of the following:

	March 31, 2020	December 31, 2019
Finished goods	$ 1,604,246	$ 1,202,039
Work in progress and raw materials	970,197	823,268
Less: Inventory reserve	(64,690)	(67,628)
Total inventory	$ 2,509,753	$ 1,957,679

Raw materials and work in process included supplies, and finished goods consisted of harvested cannabis, cultivation inventory transferred from work in progress and purchased from third parties, as well as retail supplies, consumables, and products for resale. Inventory expensed for the three months ended March 31, 2020 included in cost of goods sold was $4.5 million.

Biological Assets

A rollforward of biological assets for the three months ended March 31, 2020 is as follows:

Balance as of December 31, 2019	$ 271,434
Cost incurred until harvest	316,382
Effect of unrealized change in fair value of biological assets	200,200
Transferred to inventory upon harvest	(518,621)
Balance as of March 31, 2020	$ 269,395

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram. The following unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy (Refer to Note 20. "Financial Instruments and Financial Risk Management"), were used by management as part of the biological asset models:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

- Yield per plant – represents the expected number of grams of dry cannabis expected to be harvested from each plant.
- Selling price – determined using a combination of third-party cannabis spot price reports in addition to wholesale contract prices where applicable which, combined, are expected to approximate selling prices
- Stage of growth – represents the weighted average number of days remaining in cultivation prior to harvest.
- Wastage – represents the percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging.

The following table quantifies the significant unobservable inputs, and also provides the effect of a 10% increase or decrease to each input on the calculation of the fair value of biological assets.

	March 31, 2020	Effect of 10% Change as at March 31, 2020
Selling Price	$ 2.58	$ 71,100
State of growth	9 weeks	$ 22,000
Yield by plant	83 grams	$ 23,000
Wastage	10%	$ 25,000
Post-harvest costs	$0.35	$ 8,000

The Company determines fair value of each plant according to its stage of growth. As a result, a cannabis plant that is 50% grown through its average 22-week growing cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

6. DEFERRED ACQUISITION COSTS

The Company makes advance payments and deposits to certain acquisition targets for which the transfer and/or closing is pending due to certain closing conditions inclusive of certain regulatory approvals prior to the acquisition date. Advance payments and deposits for certain acquisition targets are reflected as arm's length transactions and may not be refundable.

As of March 31, 2020 and December 31, 2019, the Company had the following deferred acquisition costs and deposits, which are expected to be offset against the consideration payable for the related future purchases:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Acquisition Target	March 31, 2020	December 31, 2018
a) Santa Barbara adult use cannabis dispensary	$ 2,250,000	$ 2,250,000
b) Pennsylvania dispensary permittee	70,000	70,000
Total	$ 2,320,000	$ 2,320,000

a) Santa Barbara Adult Use Cannabis Dispensary

In February 2019, the Company entered into a binding term sheet to acquire (i) 100% of a Santa Barbara adult use cannabis dispensary, subject to the fulfillment of certain conditions, and (ii) the contract to purchase the associated real estate. The owners of the Santa Barbara adult use cannabis dispensary did not own the associated real estate. The Santa Barbara adult use cannabis dispensary has the right to operate one of only three adult use cannabis dispensaries in the City of Santa Barbara, California. The Company's acquisition of the real estate closed on March 3, 2019. Refer to Note 7. "Property, Plant and Equipment" for additional information. An escrow account was established to hold funds on behalf of the Company and the Santa Barbara adult use cannabis dispensary in accordance with a securities purchase agreement dated March 3, 2019, in the amount of $2.25 million that will be applied against the purchase price and $1.5 million of the total amount is a refundable deposit. It is expected that the closing will occur in the second half of 2020 and the Company will be required to pay an amount of $0.4 million to facilitators at such time.

b) Pennsylvania Dispensary Permittee

Agape Total Health Care Inc, a Pennsylvania dispensary permittee ("Agape") received a provisional dispensary permit in Round II from the Pennsylvania Department of Health and plans to open three dispensaries to sell medical cannabis. The Company has entered into definitive documents to purchase a majority stake in Agape. The closing occurred on June 25, 2020. The Company had advanced $70,000 as of March 31, 2020 and December 31, 2019 that will be applied against the purchase price. Refer to Note 21. "Subsequent Events".

7. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the beginning and ending balances of capital assets and accumulated depreciation during the three months ended March 31, 2020 is as follows:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	Buildings and Improvements	Land	Leasehold Improvements	Machinery and Equipment	Computer Equipment	Furniture and Fixtures	ROU Assets (1)	Construction in Progress (2)	Total
Cost									
Balance, December 31, 2019	$ 4,563,070	$ 1,738,285	$ 5,022,302	$ 290,250	$ 287,596	$1,283,738	$ 6,765,086	$ 3,650,864	$ 23,601,191
Additions from capital expenditures and leases	25,207	-	6,252	35,676	49,810	10,485	6,630,785	3,514,084	10,272,299
Additions from acquisitions	-	-	371,898	-	-	93,095	1,578,309	-	2,043,302
Disposals	-	-	(5,259)	-	-	(1,879)	(672,268)	(275,949)	(955,355)
ROU reassessment	-	-	-	-	-		(415,072)	-	(415,072)
Reclassification	-	-	-	-	-	-	-	-	-
Balance, March 31, 2020	$ 4,588,277	$ 1,738,285	$ 5,395,193	$ 325,926	$ 337,406	$1,385,439	$ 13,886,840	$ 6,888,999	$ 34,546,365
Accumulated Depreciation									
Balance, December 31, 2019	$ (87,996)	$ -	$ (215,163)	$ (63,608)	$ (55,186)	$ (105,396)	$ (481,375)	$ -	$ (1,008,724)
Depreciation	(62,747)	-	(106,251)	(33,147)	(28,051)	(67,144)	(249,788)	-	(547,128)
Reclassification	(55,525)		55,525						
Disposals	-	-	634	-	-	219	178,210	-	179,063
Balance, March 31, 2020	$ (206,268)	$ -	$ (265,255)	$ (96,755)	$ (83,237)	$ (172,321)	$ (552,953)	$ -	$ (1,376,789)
Carrying amount									
At December 31, 2019	$ 4,475,074	$ 1,738,285	$ 4,807,139	$ 226,642	$ 232,410	$1,178,342	$ 6,283,711	$ 3,650,864	$ 22,592,467
At March 31, 2020	$ 4,382,009	$ 1,738,285	$ 5,129,938	$ 229,171	$ 254,169	$1,213,118	$ 13,333,887	$ 6,888,999	$ 33,169,576

(1) Substantially all of the Company's ROU assets pertain to building leases. Refer to Note 11. "Lease Obligations" for further details on lease obligations.

(2) Construction in Progress primarily represents assets under construction related to building and leasehold improvements in process for buildings acquired not yet completed or otherwise not ready for use.

Total depreciation expense for the three months ended March 31, 2020, and 2019 was $547,128 and $67,005, respectively. Of the total expense, $33,146 was allocated to inventory for the three months ended March 31, 2020 and none was allocated to inventory for the three months ended March 31, 2019.

The Company's land and buildings are not considered investment properties nor held for capital appreciation as they are to be used in the Company's retail and wholesale operations.

Construction in Process

Total Construction in Process ("CIP") as of March 31, 2020 is comprised of the following:

- As of March 31, 2020, the Company had incurred a total of $0.9 million to develop the previously purchased Reading, Pennsylvania and Pottsville, Pennsylvania properties, commercial properties.
- As of March 31, 2020, the Company had incurred a total of $0.6 million to develop a previously purchased commercial property located in Santa Barbara, California property. Refer to Note 16. "Commitments and Contingencies" for additional information.
- In connection with the 2019 Dalitso acquisition, the Company is developing a facility in Virginia. Currently, the buildout of this facility is under way and $4.2 million has been incurred as of March 31, 2020.
- As of March 31, 2020, the Company had incurred a total of $0.8 million relating to the Ardmore, Pennsylvania dispensary. The dispensary opened for business in June 2020.

- The other CIP as of March 31, 2020 primarily relates to other retail buildouts.

CIP disposals for the three months ended March 31, 2020 included $0.2 million of CIP that related to the property associated with a previous potential Malibu acquisition, which is included in net other expense in the condensed unaudited interim financial statements of operations and comprehensive loss.

Refer to Note 21. “Subsequent Events”.

The cost of the construction will be depreciated once the construction is complete and available for use. These properties are still under development and were not yet occupied as of March 31, 2020.

Right of Use Assets

Right of Use (“ROU”) assets are tested for impairment in accordance with IAS 36 Impairment of assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The corresponding lease liability is remeasured when there is a change in future lease payments resulting from a change in index or rate or if the Company changes its assessment of whether it will exercise an option to extend, purchase or terminate.

During the three months ended March 31, 2020, the Company recorded an adjustment of $0.9 million relating to disposals and ROU assets that were unlikely to be realized and reductions of ROU assets related to changes in lease term. A corresponding lease liability reassessment was performed, which resulted in a net gain of $0.7 million. Refer to the Note 11. “Lease Obligations” for additional details on lease liabilities. The net adjustment of $0.2 million is included in net other expense in the condensed unaudited interim financial statements of operations and comprehensive loss.

8. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

Business Combination

Beyond Hello IL Holdings, LLC (f/k/a TGS Illinois Holdings LLC)

On January 29, 2020, the Company acquired an approximately 75% interest in TGS Illinois Holdings LLC (the “TGS Transaction”) and became the owner of two cannabis dispensaries in Illinois - one in Sauget, and one in Normal. TGS Illinois Holdings LLC (“TGSIH”), through its operating subsidiary, TGS Illinois LLC (“TGSI”), owns and operates the two cannabis dispensaries. On April 22, 2020, the names of the entities were changed to Beyond Hello IL Holdings, LLC, and Beyond Hello IL, LLC, which was approved by the State of Illinois.

The TGSIH acquisition is a part of a series of transactions under a settlement agreement between the Company and its respective affiliates, and The Green Solution and its respective affiliates and their owners (“TGS”). The transactions included: (1) the transfer to the Company of approximately 75% interest in the TGSIH units; (2) the Company’s assumption and/or payoff of approximately $12 million in TGS debt including interest and expenses relating to the debt; (3) the Company returning its 51% majority stake in TGS National Holdings, LLC (“TGS National”) to TGS and terminating the 2018 purchase agreement for TGS National which included certain restrictive covenants, employment agreements and exclusive intellectual property licenses in Jushi’s favor; (4) the return to the Company and cancellation of the 5,000,000 common shares of Jushi Holdings Inc. and warrants with an exercise price of $2.00 to purchase 2,500,000 common shares of Jushi Holdings, Inc. which were issued in connection with the 2018 purchase of TGS National; (5) the transfer to Jushi Inc of 416,060 common shares of Organigram Holdings Inc.("OGI") and approximately $0.5 million from the liquidation of certain options to purchase common shares of OGI; and (6) the transfer to a third party designee of Jushi Inc 200,000 common shares of Jushi Inc and warrants to purchase 200,000 common shares of Jushi Inc at an exercise price equal to $1.00 per common share pursuant to a confidential settlement agreement. These transactions are closely related and are therefore not accounted for as separate transactions, but rather as part of the acquisition accounting.

The $12 million in debt noted above includes $2.4 million of debt and interest paid off by the Company at closing and $9.6 million of debt which was negotiated with the holder to be exchanged for Jushi Holdings Inc. Senior Notes. Refer to Note 13. "Senior Notes and Derivative Warrants Liability" for further details on the Company's Senior Notes. The $9.6 million was comprised of secured notes of an affiliate of TGS, Beacon Holding, LLC, (the "Beacon Notes") plus unpaid accrued interest of $0.1 million. The collateral that was previously pledged for the Beacon Notes consisted of the following: (i) 95% of the TGS National units beneficially owned by the pledging entities; (ii) 415,150 common shares of Organigram, Inc. ("OGI") owned beneficially by the pledging entities; (iii) stock options to purchase 475,000 common shares of OGI at an exercise price of CAD$1.58 per common share to the extent vested and/or future vested of which stock options were owned beneficially by the pledging entities; and (iv) certain Jushi common shares and warrants to purchase common shares which were issued in connection with the 2018 TGS National acquisition.

At the time of the original acquisition of 51% of TGS National by the Company in 2018, the Company had the exclusive right to purchase the remaining 49% of TGS National for a period of 30 months from the Closing Date (the "Option Period"). The Seller also had the right to require the Company to purchase the remaining 49% no earlier than 12 months from the Closing Date, but before the end of the Option Period (the "Put Option"). The consideration to be paid for either the Call Option or Put Option (the "Redemption Liability") was $8.5 million if purchased on or after 18 months through the end of the Option Period. The adjusted present value of the Redemption Liability was $8.4 million as of December 31, 2019. As a result of the TGS Transaction, the Redemption Liability was cancelled.

The following table summarizes the preliminary purchase price allocation and the total fair value of the consideration as of the date of acquisition:

		(in $000s)
Cash and cash equivalents	$	13
Prepaids		85
Inventory		100
Right-of-use assets		1,578
Property, plant and equipment		465
Intangible assets - patient database		1,250
Intangible assets - licenses		6,500
Total assets	$	9,991
Accounts payable and accrued liabilities		(585)
Right-of-use lease liabilities		(1,578)
Deferred taxation liabilities		(2,927)
Total liabilities	$	(5,090)
Fair value of net assets acquired	$	4,901
Non-controlling interests		(4,661)
Fair value of net assets acquired, net of non-controlling interests	$	240
Consideration paid in cash	$	2,692
Assumption of Beacon Notes and accrued interest		9,555
Other related consideration		(15,740)
Fair vale of consideration and settlement	$	(3,493)
Bargain purchase	$	(3,733)
Asset disposal charges and other adjustments	$	1,531
Total net gain on business combination	$	(2,202)

The other related consideration comprises of the fair value of: (1) the Redemption Liability which was cancelled ($8.4 million); (2) the fair value of the returned 5,000,000 common shares of Jushi Holdings Inc. and warrants with an exercise price of $2.00 to purchase 2,500,000 common shares of Jushi Holdings, Inc. ($7.1 million); (3) the OGI shares ($1.1 million); (4) cash proceeds from the liquidated OGI options ($0.5 million); partially offset by (5) the fair value of TGS National returned in the TGS Transaction ($1.3 million comprised primarily of franchise agreements of $0.8 million, IP of $0.2 million, and $0.4 million in cash); and (6) $0.15 million in cash paid by Jushi for the return of the Jushi securities. The fair values of the Jushi Holdings Inc. shares and OGI shares were based on the closing market price as of the date of the transaction and the fair value of the Jushi Holdings Inc. warrants was calculated using a Black-Scholes model with the following assumptions: stock price of $1.28; exercise price of $2.00; estimated term 1.35 years; volatility 76%; risk-free rate 1.46%. The fair value of the Jushi securities was accounted for as a reduction to equity. The value of TGS National which was returned primarily consisted of cash and intangibles. The fair value of the intangibles was calculated using a discounted cash flow model using a discount rate of 12% and estimated useful lives ranging from 9-11 years.

The non-controlling interests was measured using the fair value method and was based on the fair value of the consideration paid to purchase the non-controlling interests. See *Acquisition of Remaining 25% Interest in TGS Illinois Holdings from Non-Controlling Shareholders* below for further details.

The TGS Transaction resulted in a net bargain purchase which is recorded in net gain on business combination in the condensed unaudited interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020. In addition, the Company made other related book adjustments and asset disposal charges totaling $1.5 million, net. Refer to Note 9. “Goodwill and Intangible Assets” for related asset disposal charges of $1.7 million which is also included in net gain on business combination in the condensed unaudited interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020.

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition and remains preliminary as of March 31, 2020. These estimated fair values involve significant judgement and estimates. The primary areas of judgement involved are the valuation of the intangible assets acquired and given up in the transaction, which requires management to estimate value based on future cash flows from these assets. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to: intangible assets acquired, deferred tax liabilities, and residual bargain purchase. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company’s consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

Acquisition Results and Unaudited Supplemental Pro Forma Financial Information

Total revenue of $2.2 million and net income of $0.3 million from the business combination above are included in the condensed unaudited interim consolidated statements of operations and comprehensive loss from the date of the acquisition. Had the acquisition occurred on January 1, 2020, it is estimated that additional revenues of approximately $0.6 million and additional net income of $0.1 million from the Illinois dispensaries would have been included in the condensed unaudited interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020.

For the three months ended March 31, 2020 acquisition and deal costs relating to the business combination totaled $0.4 million and are included in the total acquisition and deal costs of $0.5 million in the condensed unaudited interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020.

Acquisition of Remaining 25% Interest in TGS Illinois Holdings from Non-Controlling Shareholders

In the first quarter of 2020, the previous litigation involving a non-controlling (“NCI”) interest holder in TGSIH was settled resulting in an agreement for the Company to purchase the remaining interest in TGSIH held by the non-controlling interest holders. On February 21, 2020, the Company acquired the remaining approximately 25% interest in TGSIH (the “TGS NCI Transaction”) for consideration comprised of $2.0 million in cash, 633,433 Subordinate Voting Shares, $2.0 million in 10% Senior Notes with 950,148 warrants to acquire Subordinate Voting Shares at an exercise price of ~$1.57. The terms of the Senior Notes and warrants are those described in Note 13. “Senior Notes and Derivative Warrants Liability”. The fair value of the total consideration paid was $4.7 million as of the date of the acquisition. The SVS were valued based on the closing price of the SVS as of the date of the TGS NCI Transaction. Refer to Note 13. “Senior Notes and Derivative Warrants Liability” for fair value assumptions for debt and warrants issued during the three months ended March 31, 2020. The Company now owns 100% percent of TGSIH.

Joint Venture

Jushi Europe

In February 2020, the Company expanded internationally with the formation of Jushi Europe. Jushi Europe plans to build out its European business through a combination of strategic acquisitions, partnerships, and license applications, focused on supplying the highest-quality medical cannabis products to patients throughout Europe.

The Company controls 51% of the Company and is exposed, or has rights, to variable returns from Jushi Europe and has the power to govern the financial and operating policies of Jushi Europe so as to obtain economic benefits, and therefore the Company has consolidated Jushi Europe from the date of acquisition.

During the first quarter of 2020, the Company received $2.0 million in cash from the 49% joint venture partner, and the Company contributed the right to use certain intellectual property already owned by the Company. The Company recognized a corresponding non-controlling interest in the statements of financial position of $2.0 million. The non-controlling interest was measured at the proportionate share method. Refer to Note 17. "Non-Controlling Interests" for further details on the Company's non-controlling interests.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill was $28.1 million as of both March 31, 2020 and December 31, 2019. Goodwill as of March 31, 2019 was comprised of goodwill from: a) $26.9 million relating to the 2019 Franklin BioScience - Penn, LLC ("FBS Penn") acquisition; b) $1.0 million relating to the 2019 FBS Nevada acquisition; and c) $0.2 million relating to the 2018 MEND acquisition. There was no goodwill from the TGSIH acquisition. Refer to Note 8. "Business Combinations and Asset Acquisitions" for additional information on the TGSIH acquisition.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Other Intangible Assets

The changes in other intangible assets for the three months ended March 31, 2020 was as follows:

	Indefinite Life Intangible Asset			Finite Life Intangible Asset						
	Licenses	Formulations	Internally Generated Intangibles	Franchise Agreements	Intellectual Property	Patient Database	Tradename	Non-Compete	Website Development	Total
Cost:										
Balance at December 31, 2019	$ 75,000,466	$ 50,000	$ 585,387	$ 1,850,000	$ 10,869,675	$ 1,150,000	$ 5,380,000	$ 168,000	$ 60,806	$ 95,114,334
Disposals (1)	-	-	(585,387)	(1,850,000)	(1,290,000)	-	-	(8,000)	-	(3,733,387)
Additions (2)	6,500,000	-	-	-	-	1,250,000	-	-	-	7,750,000
Balance at March 31, 2020	$ 81,500,466	$ 50,000	$ -	$ -	$ 9,579,675	$ 2,400,000	$ 5,380,000	$ 160,000	$ 60,806	$ 99,130,947
Accumulated amortization:										
Balance at December 31, 2019				$ (236,846)	$ (779,018)	$ (89,342)	$ (284,984)	$ (28,423)	$ (10,135)	$ (1,428,748)
Amortization expense				(11,278)	(249,978)	(69,490)	(143,083)	(13,470)	(15,201)	(502,500)
Disposals (1)				248,124	230,689	-	-	3,004	-	481,817
Balance at March 31, 2020				$ -	$ (798,307)	$ (158,832)	$ (428,067)	$ (38,889)	$ (25,336)	$ (1,449,431)
Net book value:										
Balance at December 31, 2019	$ 75,000,466	$ 50,000	$ 585,387	$ 1,613,154	$ 10,090,657	$ 1,060,658	$ 5,095,016	$ 139,577	$ 50,671	$ 93,685,586
Balance at March 31, 2020	$ 81,500,466	$ 50,000	$ -	$ -	$ 8,781,368	$ 2,241,168	$ 4,951,933	$ 121,111	$ 35,470	$ 97,681,516
Estimated useful life				14 years	10 - 10.5 years	5-15 years	1-15 years	3-5 years	3 years	

(1) Disposals and impairments for the three months ended March 31, 2020 consisted of the following:

a. The franchise agreements and intellectual property disposed relates to the TGS Transaction. Under IFRS 3, the excess of the carrying amounts over the fair values was calculated as of the date of disposal of TGSNH and totaled $1.7 million and is included in the net gain on business combination in the condensed unaudited interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020. Refer to Note 8. "Business Combinations and Asset Acquisitions" for further details on the TGS Transaction.

b. During the three months ended March 31, 2020 the Company recorded a disposal of $0.6 million relating to internally generated intangibles that were unlikely to be realized. In addition, the Company reduced a related liability by $0.3 million, for a total net write-off of $0.3 million. The total net write-off is reflected net other expense in the condensed unaudited interim financial statements of operations and comprehensive loss.

(2) In 2020, all additions relate to the TGS Transaction. Refer to Note 8. "Business Combinations and Asset Acquisitions" for further details.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The Company recorded amortization expense of $0.5 million, and $0.1 million for the three months ended March 31, 2020, and 2019, respectively. These amounts are recorded within depreciation and amortization expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Details of accrued expenses and other current liabilities as of March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Accrued taxes - federal and state	$ 5,038,635	$ 2,417,249
Accrued taxes - other	311,077	77,282
Accrued capital expenditures	2,685,283	1,558,021
Accrued employee related expenses and liabilities	1,774,337	1,249,983
Accrued sales tax payable	259,165	3,887
Accrued interest - promissory notes payable	64,036	426,670
Accrued interest - 10% Senior Notes	-	40,306
Accrued professional and management fees	564,539	712,631
Other accrued expenses and current liabilities	993,998	1,204,520
	$ 11,691,069	$ 7,690,549

Refer to Note 12. “Promissory Notes Payable” for details on the promissory notes payable and to Note 13. “Senior Notes and Derivative Warrant Liabilities” for details on the 10% Senior Notes.

11. LEASE OBLIGATIONS

The Company leases certain business facilities for corporate, retail and cultivation purposes in Florida, Pennsylvania, Ohio, California, New York, Virginia, Illinois and Colorado from third parties under lease agreements that specify minimum rentals. The expiry dates of the leases, including reasonably certain estimated renewal periods, are between 2020 and 2046 and contain certain renewal provisions.

Lease liabilities included in the consolidated statements of financial position are as follows:

	March 31, 2020	December 31, 2019
Short-term lease obligations	$ 1,370,443	$ 969,312
Long-term lease obligations	$ 12,590,246	$ 5,528,928
	$ 13,960,689	$ 6,498,240

A continuity of lease liabilities for the three months ended March 31, 2020 is as follows:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

IFRS 16 lease liabilities as of January 1, 2020	$	6,498,240
Lease additions		6,630,785
Lease additions from acquisitions		1,578,309
Lease payments		(380,408)
Interest expense on lease liabilties		338,307
Lease reassessment		(665,404)
Lease termination		(39,140)
IFRS 16 lease liabilties as of March 31, 2020	$	13,960,689

Refer to Note 7. "Property Plant and Equipment" for additional information on the lease reassessment.

As of March 31, 2020 estimated future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Less than one year	$	1,592,778
One to five years		8,164,035
Greater than five years		30,500,091
Total undiscounted lease obligations	$	40,256,904
Interest		26,296,216
Lease obligations as of March 31, 2020	$	13,960,689

The estimated future minimum lease payments under non-cancelable leases above do not include payments that are not yet reasonably certain because of potential changes in state cannabis regulations. The increases in estimated future minimum lease payments as a result of changes in state cannabis regulations could be significant.

As of March 31, 2020, estimated future minimum lease payments under non-cancelable operating leases having an initial term of one year or less were $0.1 million and are not capitalized in the condensed unaudited interim consolidated statement of financial position.

Some property leases may contain variable payment terms that are linked to sales generated from a store or cannabis regulation changes. Variable lease payments for the three months ended March 31, 2020 were $34,000. Variable payment terms may be used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. All extension options that are reasonably certain to be exercised have been included in the measurement of lease obligations. The Company reassesses the likelihood of extension option exercise if there is a significant event or change in circumstances within its control.

The Company's rent expense related to low-value and short-term leases is included in general and administrative expenses and was less than $0.1 million for both the three months ended March 31, 2020 and 2019.

The Company's incremental borrowing rate ranged from 12% - 13% for leases entered into or reassessed during the three months ended March 31, 2020.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

12. PROMISSORY NOTES PAYABLE

Promissory notes payable which are acquisition related consisted of the following:

	March 31, 2020	December 31, 2019
Total notes payable - principal amount	$ 18,088,966	$ 25,622,607
Less: deferred finance charges	(42,941)	-
Total notes payable - carrying amount	$ 18,046,025	$ 25,622,607
Short-term notes payable	$ 13,098,807	$ 15,634,563
Long-term notes payable	$ 4,947,218	$ 9,988,044

A continuity of the principal amounts of the promissory notes payable is as follows:

	March 31, 2020
Principal balance as of December 31, 2019	$ 25,622,607
Pirncipal payments	$ (7,533,641)
Principal balance as of March 31, 2020	$ 18,088,966

Interest expense related to promissory notes for the three months ended March 31, 2020 was $563,724, and the accrued interest balance was $64,036 and $426,670 as of March 31, 2020 and December 31, 2019, respectively. The accrued interest payable is included in accrued expenses and other current liabilities in the condensed unaudited interim consolidated statements of financial position. Refer to Note 10. “Accrued Expenses and Other Current Liabilities”.

Deferred issuance costs incurred for the three months ended March 31, 2020 relating to the promissory notes payable were $90,968, of which $48,026 was amortized and included in interest expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

Secured Promissory Notes – Franklin BioScience – Penn, LLC

In July 2019, in connection with the FBS Penn acquisition, the Company issued $28.1 million by way of certain 10% secured notes due to the sellers, with principal payments, together with accrued interest through each such date, due in tranches. $10.6 million in principal was paid on September 30, 2019, $7.5 million in principal was paid on March 9, 2020, $5.0 million in principal is due on September 9, 2020 and the remaining balance is due on March 9, 2021. The secured notes are secured by Jushi Inc’s pledge of the equity Jushi Inc. directly and indirectly acquired in the acquisition. The pledge agreement contains standard non-financial covenants.

Secured Promissory Notes – FBS Nevada

In July 2019, in connection with the FBS Nevada management services and purchase agreements and the related acquisition of the associated real estate, the Company issued $2.25 million in promissory and $0.4 million in other secured notes as part of the consideration. The notes bear interest at 10% per annum. Of the $2.25 million in promissory notes, 50% will mature on the one-year anniversary of issuance and the remaining amount will mature on the second-year anniversary. The $0.4 million note will mature in July 2021 and is subject to acceleration based upon consummation of the closing as defined in the purchase agreement and is secured by the real estate. In connection with these notes, Production Excellence, LLC granted a security interest in all of its assets and JREHNV, LLC granted a second lien priority security interest on certain real property.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Promissory Notes – Dalitso LLC

In September 2019, in connection with the Dalitso LLC acquisition, the Company issued: (i) approximately $2.7 million in 6% secured promissory notes issued to the sellers maturing September 23, 2021 and convertible at the option of the holders on or prior to the maturity date into Subordinate Voting Shares at a conversion price of $6.00 per share; and (ii) approximately $1.3 million in 9% unsecured notes issued to certain sellers maturing September 20, 2021, with quarterly instalments of approximately $34,000.

Secured Promissory Notes – Provisionally Licensed Holder

In June 2019, the Company entered into a definitive agreement with a provisionally licensed medical marijuana processor in Ohio and issued $1.5 million in 18-month secured sellers' notes as part of the consideration. The notes bear interest at 10% per annum and are payable quarterly, and are subject to acceleration based upon consummation of the closing as defined in the purchase agreement. In connection with these notes, Jushi OH, LLC granted a security interest in all of its assets.

13. SENIOR NOTES AND DERIVATIVE WARRANTS LIABILITY

Details of the carrying amounts of the Company's 10% senior notes due January 15, 2023 ("Senior Notes") and the related liability for the derivative warrants to purchase Subordinate Voting Shares of the Company (the "Warrants") as of March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Senior Notes - Warrant Notes - principal amount	$ 36,710,000	$ 16,760,000
Senior Notes - OID Notes - principal amount	12,234,711	-
Senior Notes - total principal amount	$ 48,944,711	$ 16,760,000
Warrant Notes - amount to accrete	(11,782,478)	(5,493,360)
OID Notes - amount to accrete	(1,697,700)	-
Deferred transaction costs, net	(534,442)	(530,888)
Total Senior Notes, carrying amount	$ 34,930,091	$ 10,735,752
Derivative warrants liability	$ 9,901,212	$ 5,528,555

The Senior Notes mature on January 15, 2023 and bear interest at 10.0% per annum, payable in cash quarterly. There are two financing structures associated with the Senior Notes. The first structure is senior secured promissory notes ("Warrant Notes") which are issued with warrants to acquire Subordinate Voting Shares of the Company at 75% coverage. The 5-year Warrants issued to noteholders have an expiration date of December 23, 2024, and an exercise price of ~$1.58. The second structure is 17% original issue discount senior secured promissory notes ("OID Notes"). In addition to the interest rate and maturity date, both structures have the same key terms. The Company's obligations under both the Warrant Notes and the OID Notes are secured by the assets of the Company and certain of its Subsidiaries (subject to certain exclusions) and are guaranteed by certain Subsidiaries. The Senior Notes are not convertible, and the Senior Notes and Warrants may be sold only with the prior consent of the Company.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

A reconciliation of the initial and ending balances of the Senior Notes, related derivative warrants liability and accrued interest on the Senior Notes is as follows:

	Senior Notes	Derivative Warrants Liability	Accrued Interest	Income (Expense)
10% Senior Notes principal amount	$ 16,660,000	$ -	$ -	$ -
10% Senior Notes - subscription received	100,000	-	-	-
Fair value of derivative warrant liability	(5,528,555)	5,528,555	-	-
Cash based debt issuance costs	(423,894)	-	-	(210,532)
Warrants transactions costs	(110,395)	-	-	(54,829)
Accretion and amortization expense	38,596	-		(38,596)
Accrued interest	-	-	40,306	(40,306)
Carrying amount as of December 31, 2019	$ 10,735,752	$ 5,528,555	$ 40,306	$ (344,263)
10% Senior Notes principal amount issued, net	32,184,711	-	-	-
OID on issuance	(1,734,711)	-	-	-
Fair value of derivative warrant liability on issuance	(8,914,104)	8,914,104	-	-
Adjustment for exchanged notes	1,953,429	(1,954,183)	(30,914)	68,678
Cash based debt issuance costs	(136,429)	-	-	(31,673)
Warrants transactions costs	109,692	-	-	(163,054)
Accretion and amortization expense	731,751	-	-	(731,751)
Interest expense	-	-	1,074,381	(1,074,381)
Interest paid in cash	-	-	(1,083,773)	-
Fair value adjustment for derivative warrant liability	-	(2,587,264)	-	2,587,264
Carrying amount as of March 31, 2020	$ 34,930,091	$ 9,901,212	$ -	$ 655,083

Coupon interest expense, accretion, amortization and amounts expensed for debt issuance costs are all included in interest expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss. Accrued interest payable is included in accrued liabilities in the condensed unaudited interim statements of financial position. Refer to Note 10. “Accrued Expenses and Other Current Liabilities”. The adjustment for exchanged notes is included in net other expense in the condensed unaudited interim statements of operations and comprehensive loss.

Activity for the Three Months Ended March 31, 2020

During the first quarter of 2020, the Company issued $32.2 million in Senior Notes and issued 10.0 million warrants in connection with the upsizing and closing of the debt offering (a private placement) announced in December 2019 (the “Debt Offering”). The Senior Notes and Warrants issued are net of amounts cancelled as a result of Warrant Notes exchanged for OID Notes. As of March 31, 2020, the total principal amount of Senior Notes issued in connection with the Debt Offering was $48.9 million, and the Company had received total cash proceeds of $35.7 million, of which $18.9 million was received during the first quarter of 2020, and $16.7 million had been received during December 2019. The OID Notes are initially recorded at the cash amount received and are accreted to the principal amount using the effective interest rate method.

The upsizing of the Debt Offering during the first quarter of 2020 was as a result of participation by additional investors, exchanged debt related to the TGS Transaction and debt issued in connection with the TGS NCI Acquisition. Of the total amount of Senior Notes issued during the first quarter of 2020, $9.6 million related to debt which was assumed in the TGS Transaction and was exchanged for Warrant Notes with a slightly different redemption right and warrant vesting terms (both subject to an unrelated contingency) and $2.0 million of Warrant Notes were issued in connection with the TGS NCI Acquisition. Refer to Note 8. "Business Combinations and Asset Acquisitions" for additional details on the TGS Transaction and the TGS NCI Acquisition.

In January 2020, $0.5 million of Warrant Notes that had been issued in December 2019 were exchanged for OID Notes of $0.6 million in January 2020, and the related 0.2 million Warrants that were issued in December 2019 were voided. In addition, Warrant Notes of $5.0 million that were issued in January 2020 were subsequently also exchanged for OID Notes of $5.8 million in January 2020, and the related 2.4 million warrants that were issued in connection with the Warrant Notes were also voided. The notes exchanged were determined to have substantially different terms as a result of the cancellation of the Warrants and therefore the exchanges were accounted for as an extinguishment of the original financial liabilities and the recognition of new financial liabilities. The difference in the fair values of the new OID Notes of $5.5 million and the carrying amounts of the extinguished Warrants Notes of $3.6 million and the derivative warrants liability of $2.0 million was $0.1 million. The adjustment for the exchanged notes of $0.1 million is included in other expense, net, in the condensed unaudited interim consolidated financial statements of operations and comprehensive loss.

Activity for the Year Ended December 31, 2019

During the month and year ended December 31, 2019, the Company issued $16.66 million of Senior Notes and 7,695,531 Warrants and received cash proceeds of $16.76 million, as part of the Debt Offering. On December 31, 2019, $0.1 million of subscriptions were received after close of business and the senior note was therefore not issued until January 2, 2020. The Senior Notes were issued in connection with the December 23, 2019 announcement of the receipt of binding subscriptions totaling $27.46 million for the Senior Notes and the Warrants. The remainder of the receipts, as well as additional subscriptions, were received in January 2020.

Derivative Warrants

As of March 31, 2020 and December 31, 2019, there were 17,439,979 and 7,392,157 outstanding Warrants, respectively, which had been issued to Senior Notes holders. The Warrants were issued by the Company in connection with, but are detached from, the Company's issuance of the Senior Notes. The warrants have an expiry date of December 23, 2024 and an exercise price equal to ~$1.58. The exercise price may be subject to downward adjustment for certain future debt or equity issuances. The warrants may be settled only with cash for the first year but may be net share settled after one year.

The purchasers of the Warrant Notes received warrants at 75% coverage of the Warrant Notes amount. An additional 25% warrant coverage may be issued if the Company does not raise aggregate gross proceeds of $50 million (which shall include all proceeds raised by the Company in connection with the Debt Offering) within the six months following the initial closing of the Debt Offering, pursuant to one or more additional closings, equity offerings or Warrant exercises.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

If the additional 25% warrant coverage applies in the future, there would be variability in the expected number of shares issuable on exercise or if the downward exercise price adjustment protection on the Warrants applies in the future, there would be variability in the cash received on exercise of the Warrants. In accordance with IFRS, a contract to issue a variable number of equity shares or variable value fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the condensed interim consolidated statement of operations at each period-end. The derivative liabilities will ultimately be converted into the Company's equity (Subordinate Voting Shares) when the Warrants are exercised and will not result in the outlay of any additional cash by the Company. The derivative warrant liabilities are classified as long-term because these derivative warrant liabilities will ultimately be settled for common shares and therefore the classification is not relevant.

Refer to Note 21. "Subsequent Events" for additional debt raised prior to the expiration of the six-month period, and therefore the additional warrant coverage will not apply.

Subsequent to the first closing of the Debt Offering in January 2020, the additional 25% warrant coverage that may be issued under certain circumstances was no longer offered in connection with the Debt Offering, and as a result 6.2 million of the warrants issued in connection with the Warrant Notes during the first quarter of 2020 do not have this feature, but are subject to downward price adjustment feature, and are therefore also classified as a liability.

For the three months ended March 31, 2020, the Company recorded an initial derivative warrants liability for the warrants issued during the three months ended March 31, 2020, net of the warrants that were cancelled in exchanges for OID Notes, of $7.0 million, which was based on the estimated fair value of the Warrants at the date of grant. The residual consideration was allocated to the Senior Notes liability. At initial recognition as of December 23, 2019, the Company had recorded a derivative liability related to the Warrants of $5.5 million, which was based on the estimated fair value of the Warrants at the date of grant. The estimated fair value of the Warrants was $9.9 million as of March 31, 2020, and a fair value adjustment of $2.6 million was recorded for the three months ended March 31, 2020, which adjustment is reflected in fair value changes in derivative warrants in the condensed unaudited interim statements of operations and comprehensive loss. There was no material change in the fair value between the issuance date of December 23, 2019 and December 31, 2019.

The fair value of the derivative warrants was estimated using the Monte Carlo simulation model. This is a Level 3 recurring fair value measurement. The assumptions used in the calculation included the following:

	For Derivative Warrants Outstanding as of March 31, 2020	For Derivative Warrants Issued December 2019 through February 2020
Stock price	$1.02	$1.32
Risk-free annual interest rate	0.36%	1.74%
Range of estimated possible exercise price	$0.03 - $1.58	$0.03 - $1.58
Volatility	80%	75%
Remaining life	4.73 years	5 years
Forfeiture rate	0%	0%
Expected annual dividend yield	0%	0%

The Company determined that the assumptions used during the months ended January 31, 2020 and February 28, 2020 had not changed significantly due to relatively stable market conditions. The Monte Carlo model calculation also considered the potential effect of the dilution that the Warrants would have on the total outstanding share capital of the Company if exercised. The Company considers expected volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material increase or decrease in the estimated fair value of the derivative liability. For example, the following table illustrates an increase or decrease in certain assumptions:

	March 31, 2020	Effect of 10% Increase as of March 31, 2020 (in millions)	Effect of 10% Decrease as of March 31, 2020 (in millions)
Stock price	$ 1.02	$ 7.9	$ 6.2
Volatility	80%	$ 7.7	$ 6.2

	December 31, 2019	Effect of 10% Increase as of December 31, 2019 (in millions)	Effect of 10% Decrease as of December 31, 2019 (in millions)
Stock price	$ 1.32	$ 0.7	$ (0.7)
Volatility	75%	$ 0.5	$ (0.6)

Debt Issuance Costs

Cash-based debt issuance costs relating to OID Notes are deferred and cash-based debt issuance costs relating to the Warrant Notes were allocated to the Senior Notes and to the derivative warrants liability based on their relative fair values. Debt issuance costs that are allocated to the derivative warrants liability are expensed as incurred and are reported within interest expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss, whereas debt issuance costs allocated to the Senior Notes are deferred and amortized over the life of the Senior Notes. For the three months ended March 31, 2020, the Company allocated $0.1 million of debt issuance costs to the Senior Notes which are being amortized over the life of the Senior Notes. For the three months ended March 31, 2020, the Company expensed and amortized debt issuance costs of $0.2 million which is included in interest expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

In addition, the Company incurred equity-based debt issuance costs for brokers. As of March 31, 2020 and December 31, 2019, 104,179 and 303,374 warrants had been issued to brokers, respectively, in connection with the debt raise. The broker warrants are not subject to either the downward adjustment or the potential additional 25% warrant coverage, and are therefore classified as equity. The broker warrants have an expiry date of two years from the date of issuance. The fair value of the broker warrants issued during the three months ended March 31, 2020, was $0.1 million and was estimated using the Black-Scholes Merton model. This is a Level 3 fair value measurement.

Optional and Mandatory Redemption

The Senior Notes may be prepaid or redeemed by the Company in whole or in part, only as follows:

(i) Optional Redemptions

A redemption may by initiated by the Company at any time upon 3 days written notice and may redeem all or any portion of the Senior Notes at par plus accrued interest plus a premium equal to (i) 10% of the aggregate principal amount of the Senior Notes being redeemed prior to the first anniversary of the issue date, and (ii) 5% of the aggregate principal amount of the Senior Notes being redeemed on or after the first anniversary of the issue date but prior to the second anniversary of the issue date. The Company (at its option) may redeem all or any portion of the 2019 Senior Secured Notes at par plus accrued interest (without any premium) on or after the second anniversary of the date of issuance.

Prior to the twelve month anniversary of the issue date, the Company may redeem all or any portion of the Senior Note with up to 33% of the net proceeds received by the Company or any of its subsidiaries (including the Guarantors) from any equity offerings at a redemption price equal to par plus accrued interest plus a premium equal to 1% of the aggregate principal amount of the Senior Note being redeemed.

(ii) Mandatory Redemptions

Following the twelve month anniversary of the issue date, the Company shall repurchase the Senior Notes using 33% of the net proceeds from any equity offerings by the Company or any of its subsidiaries (including the Guarantors), at a purchase price equal to par plus accrued but unpaid interest (no premiums).

The Company shall offer to repurchase the Senior Notes at par plus accrued interest with 100% of the net cash proceeds resulting from: i) non-ordinary course sales or other dispositions of assets consummated by the Company or any subsidiary, and/or; ii) as a result of casualty or condemnation as described in the Senior Note agreement, subject to certain limitations, including Permitted Reinvestments during a two-year Reinvestment Period, both as defined in the Senior Note agreement and/or; iii) change of control – if a change of control transaction pursuant to which the Company receives all cash or liquid securities prior to the Maturity Date, at the election of the Holder, the Company shall prepay the Senior Note by paying the holder 101% of the principal amount of this note plus all accrued but unpaid interest.

In addition to the mandatory redemptions described above, certain Warrant Notes issued during January 2020 totaling $11.0 million may be redeemed by the holder(s) following the 18-month anniversary of the issue date subject to an unrelated contingency of the holder(s).

Guarantees and Seniority

The Company's obligations under the Senior Notes are secured by certain assets of the Company and certain Subsidiaries (subject to certain exclusions) and are guaranteed by certain Subsidiaries (the "Guarantors").

The Senior Notes are: (a) subordinated in right of payment of any existing indebtedness or obligation of the Company as of the date hereof that is designated as "senior", "first," "primary" (or any comparable term) under any indenture, instrument, or document governing any indebtedness of the Company; (b) pari passu in right of payment to any permitted indebtedness, as defined, not constituting Senior Indebtedness and: (c) senior to all other indebtedness of the Company. The maximum liability of each Guarantor under the Senior Notes does not, in any event, exceed the amount which can be guaranteed by such Guarantor according to the terms of the Senior Notes agreements and under United States federal and state Applicable Laws (as defined under the Senior Notes agreement) relating to the insolvency of debtors, including Applicable Laws relating to fraudulent conveyances or fraudulent transfers. The guarantee under the Notes will remain in full force and effect until all of the Senior Notes shall have been paid in full. As of March 31,2020, no loss is anticipated by reason of such guarantees and it is unlikely that these guarantees will be drawn upon.

Default Provisions

The Senior Notes agreement provides for customary events of default, as well as customary remedies upon an event of default as defined in the Senior Notes agreement ("Event of Default"), including acceleration of repayment of outstanding amounts. In addition, automatically upon the occurrence and during the continuance of an Event of Default, the interest rate accruing on the outstanding principal amount of the Note shall be 3% more than the rate otherwise payable under the Senior Notes.

Covenants

The Senior Notes are subject to certain customary non-financial provisions and covenants. The covenants, among other things, generally limit the ability of the Company and certain of its subsidiaries, subject to certain exceptions, to (i) incur certain additional debt; (ii) pay dividends or make distributions from certain subsidiaries; (iii) sell certain assets; and (iv) effect certain transactions including mergers. As of March 31, 2020 and December 31, 2019, the Company was in compliance with all provisions and covenants.

Related Parties

As of December 31, 2019, insiders and founders had committed $18.5 million in connection with the Offering, of which $8.5 million had been received as of December 31, 2019. The remainder of the funds and additional subscriptions were received in January 2020. Jushi Chairman & CEO Jim Cacioppo, and entities he controls, led the subscription with $10 million with other insiders subscribing for an additional $8.5 million. The participation of the insiders of the Company in the Offering constituted a related party transaction. The Company formed a special committee from the board of directors of the Company (the "Special Committee"), comprised of Erich Mauff, Stephen Monroe and Benjamin Cross, to set, review, negotiate and approve of the terms of the Offering. The Special Committee engaged AltaCorp Capital Inc. who provided its opinion that the terms of the Offering were fair, from a financial perspective, to the Company.

Refer to Note 21. "Subsequent Events".

14. EQUITY

(a) Authorized

As of March 31, 2020, the authorized share capital consists of common shares with an unlimited number of Subordinate Voting Shares ("SVS"), an unlimited number of Multiple Voting Shares ("MVS"), and an unlimited number of Super Voting Shares ("SV"). Super Voting Shares carry 1,000 votes per share and are convertible into 100 Subordinate Voting Shares per share. Multiple Voting Shares carry 10 votes per share and are convertible into 1 Subordinate Voting Share per share.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

(b) Issued and Outstanding

Refer to the condensed unaudited interim consolidated statements of changes in equity for a reconciliation of the beginning and ending amounts of the issued and outstanding shares and the related share capital and share reserves.

(i) Restricted Stock Grants

Refer to Note 15. "Share-Based Compensation" for details of restricted stock grants.

(ii) Stock Options

Refer to Note 15. "Share-Based Compensation" for details on stock options.

(iii) Warrants

Each whole Super Voting warrant, each Multi-Voting warrant, and each Subordinate Voting warrant, entitles the holder to purchase one Super Voting Share, one Multi-Voting Share and one Subordinate Voting Share, respectively.

A reconciliation of the beginning and ending balances of the warrants outstanding is as follows:

	Number of Warrants	Weighted - Average Exercise Price
Balance as of December 31, 2019 (1)(2)(3)	50,966,619	$ 1.75
Granted (3)(4)	13,464,910	1.56
Cancelled or voided (4)(5)	(5,112,909)	1.79
Balance as of March 31, 2020 (1)(2)	59,318,620	$ 1.75

(1) Number of outstanding warrants on an as-converted basis was 75,430,870 and 67,078,869 as of March 31, 2020 and December 31, 2019, respectively. The 162,750 outstanding warrants for Super Voting Shares equal 16,275,000 warrants on an as-converted basis. Refer to table below for details of warrants outstanding.

(2) Includes 17,439,979 derivative warrants as of March 31, 2020 and 7,392,157 derivative warrants as of December 31, 2019, respectively, which were issued to the 10% Senior Notes holders and which have an exercise price of ~$1.58. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 13. "Senior Notes and Derivative Warrants Liability".

(3) The balance as of December 31, 2019 excluded 200,000 Jushi Inc warrants held in escrow that were transferred into 200,000 Jushi Holdings Inc. Subordinate Voting Warrants during the three months ended March 31, 2020. Refer to Note 8. "Business Combinations".

(4) Includes 2,375,372 warrants that were issued in 2020 in connection with the issuance of Warrant Notes and subsequently voided when the Warrant Notes were exchanged for OID Notes. Refer to Note 13. "Senior Notes and Derivative Warrants Liability". Refer to "2020 Grants" below for details of warrants granted during the three months ended March 31, 2020.

(5) Includes 237,537 derivative warrants that were issued in connection with Warrant Notes during the year ended December 31, 2019 and subsequently voided during the three months ended March 31, 2020, when the Warrant Note was exchanged for an OID Note. In addition, amounts cancelled for the three months ended March 31, 2020 includes the cancellation of 2,500,000 warrants returned in the TGS Transaction. Refer to Note 8. "Business Combinations and Asset Acquisitions".

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The following table summarizes the warrants that remain outstanding as of March 31, 2020:

Security Issuable		Exercise Price	Number of Warrants		Expiration Date
Super Voting Shares	$	0.50	13,750	(1)(7)	June 6, 2029
Super Voting Shares	$	1.00	149,000	(2)(7)	June 6, 2029
Total Super Voting Shares			162,750		
Multiple Voting Shares	$	0.50	2,750,000	(1)(7)	June 6, 2029
Multiple Voting Shares	$	1.00	4,000,000	(2)(7)	June 6, 2029
Total Multiple Voting Shares			6,750,000		
Subordinate Voting	$	1.50	750,000	(1)	May 10, 2020
Subordinate Voting	$	2.00	750,000	(1)	October 11, 2020
Subordinate Voting	$	2.00	100,000	(4)	March 24, 2021
Subordinate Voting	$	2.00	17,597,135	(2)(7)(8)	June 6, 2021
Subordinate Voting	$	2.00	1,000,000	(5)(7)	June 6, 2021
Subordinate Voting	$	2.25	1,000,000	(2)(7)(8)	June 6, 2021
Subordinate Voting	$	2.75	943,328	(1)	June 6, 2021
Subordinate Voting	$	3.00	4,040,000	(2)(7)(8)	June 6, 2021
Subordinate Voting	$	1.50	325,000	(6)	September 27, 2023
Subordinate Voting	$	1.50	750,000	(1)	March 18, 2024
Subordinate Voting	$	1.35	1,000,000	(1)(7)(8)	June 6, 2029
Subordinate Voting	$	1.50	467,875	(1)	January 1, 2029
Subordinate Voting	$	2.00	1,500,000	(1)	April 17, 2029
Subordinate Voting	$	0.50	687,500	(1)(7)	June 6, 2029
Subordinate Voting	$	1.00	2,100,000	(2)(7)	June 6, 2029
Subordinate Voting	$	3.00	1,047,500	(3)(8)	September 23, 2021
Subordinate Voting	$	1.58	17,439,979	(9)	December 23, 2024
Subordinate Voting	$	1.47	100,000	(1)	February 6, 2023
Subordinate Voting	$	1.35	350,000	(1)	February 22, 2022
Subordinate Voting	$	1.58	79,179	(1)	January 15, 2022
Subordinate Voting	$	1.58	303,374	(1)	December 23, 2021
Subordinate Voting	$	1.50	75,000	(1)	January 30, 2022
Total Subordinate Voting Shares			52,405,870		
Total warrants			59,318,620		

(1) Issued for services rendered.

(2) Issued with the sale of stock.

(3) Issued in 2019 in connection with an acquisition.

(4) Issued in 2019 in connection with the agreement which provided an option to acquire certain cannabis licenses which were in the application phase.

(5) Issued 1,000,000 warrants in 2018 in connection with the sale of notes receivable.

(6) Issued in 2018 in connection with a contemplated financing.

(7) Subject to exercise trigger/liquidity event noted below.

(8) Subject to accelerated expiration or forced exercise noted below.

(9) Issued in connection with the 10% Senior Notes. Refer to Note 13. “Senior Notes and Derivative Warrants Liability”.

These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 13. “Senior Notes and Derivative Warrants Liability” for further details.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

As of March 31, 2020, 53.7 million warrants are exercisable. Of the 5.6 million warrants which are unvested, 1.1 million will vest in 2020, 1.8 million will vest in 2021, 2.5 million will vest in 2022, and 0.1 million will vest in 2023. Certain warrants may be net share settled.

As of March 31, 2020, warrants issued and outstanding have a weighted-average remaining contractual life of 4.0 years.

Several of the warrants contain terms under which the Company can force exercise and many of the warrants contain terms under which the Company can accelerate the expiration date following a liquidity event if the volume weighted average price for any 20 consecutive trading days equals or exceeds a certain per share price.

In addition, the majority of the warrants issued prior to the RTO in 2019 have expiration dates that were subject to certain terms described in the warrant agreements. Specifically, many of the warrants have an expiration date that did not start until there was an exercise trigger/liquidity event. For this purpose, an exercise trigger/liquidity event is an amalgamation, share exchange, merger, plan or arrangement, or other form of business combination pursuant to which the Company's Common Stock (or the common shares of the resulting issuer) becomes listed on the Canadian Securities Exchange or any other securities exchange. The RTO transaction completed on June 6, 2019 qualified as an exercise trigger/liquidity event.

2020 Grants

For the three months ended March 31, 2020, the Company recorded share-based compensation expense of $0.1 million related to warrants issued for services and consulting.

During the three months ended March 31, 2020, the Company issued 500,000 warrants for consulting or other services. The weighted average per share grant date fair value for these warrants was $0.25. The fair value of these warrants was determined using the Black-Scholes option-pricing model. The following assumptions were used for the calculations at the time of issuance or grant of the warrants issued for services:

	For the Three Months Ended March 31, 2020
Stock price	$0.71 - $1.30
Risk-free annual interest rate	0.38% -1.47%
Expected annual dividend yield	nil
Expected stock price volatility	85%
Expected life of stock options	1.5 - 2 years

Volatility was estimated by using a weighting of the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies and the Company volatility. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the warrants. The Company currently does not anticipate paying dividends in the foreseeable future. As a result, the expected annual dividend yield is assumed to be 0%.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

During the first quarter of 2020, in connection with the issuance of the Warrant Notes, the Company issued 10,285,359 derivative warrants to purchase Subordinate Voting Shares with an exercise price of ~$1.58 per share. In addition, 2,375,372 warrants were issued in 2020 in connection with the issuance of Warrant Notes and subsequently voided when the Warrant Notes were exchanged for OID Notes. Of the total derivative warrants issued and not voided, 2,508,393 of the warrants are subject to vesting restrictions and 950,148 were issued in connection with the Warrant Notes issued for the TGS NCI buyout and 200,000 were issued in connection with the TGS Transaction. Refer to Note 8. "Business Combinations and Asset Acquisitions". In addition, the Company issued 104,179 warrants for broker services rendered in connection with the Debt Offering and recognized $163,054 in interest expense related to broker warrants in the condensed unaudited interim consolidated financial statements of operations and comprehensive loss. Refer to Note 13. "Senior Notes and Derivative Warrants Liability" for additional information.

Refer to Note 13. "Senior Notes and Derivative Warrants Liability" for details on the fair value and assumptions used in the calculation of the derivative warrants and broker warrants issued in connection with the Debt Offering.

15. SHARE-BASED COMPENSATION

A summary of all share-based compensation expense for the three months ended March 31, 2020 and 2019, is as follows:

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Total stock options	$ 557,360	296,868
Restricted stock grants	648,155	46,583
Warrant expense	113,158	57,593
Total share-based compensation	$ 1,318,673	$ 401,044

The expense related to the broker warrants from the Debt Deal is included in interest expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss. Refer to Note 13. "Senior Notes and Derivative Warrants" for additional details.

Equity Incentive Plan

Under the Company's equity incentive plan (the "Plan"), non-transferable options to purchase Subordinate Voting Shares and restricted Subordinate Voting Shares of the Company may be issued to directors, officers, employees, or consultants of the Company. As of March 31, 2020, the maximum number of incentive plan awards, and the number of incentive stock option awards available for issuance under the 2019 Plan was 4.4 million.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

(a) Stock Options

The stock options issued by the Company are options to purchase Subordinate Voting Shares of the Company. All stock options issued have been issued to employees of certain subsidiaries of the Company under the Company's Plan. Such options generally expire in ten years from the date of grant and generally have the following vesting conditions: 1/3 of the options vest on each anniversary of the grant date. The options may be net share settled.

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

	Number of Stock Options		Weighted-Average Per Share Exercise Price
Issued and outstanding as of December 31, 2019	9,061,333		$ 1.89
Granted	150,000	(1)	$ 1.36
Exercised	-		$ -
Forfeited	(358,333)	(2)	$ 1.92
Issued and outstanding as of March 31, 2020	8,853,000		$ 1.88
Exercisable as of March 31, 2020	400,000		$ 1.35

1) The weighted-average per share grant date fair value was $0.94 for the three months ended March 31, 2020.
2) For awards which were not fully vested at the time of forfeiture, the previously recorded expense was reversed.

The following table summarizes the issued and outstanding stock options as of March 31, 2020:

Expiration Date	Stock Options Outstanding		Exercise Price	Stock Options Exercisable
May 25, 2028	200,000		$ 1.00	100,000
October 12, 2028	570,000		$ 1.35	256,667
December 1, 2028	200,000		$ 1.35	38,333
April 17, 2029	6,488,000	(1)	$ 2.00	-
May 1, 2029	5,000		$ 3.00	5,000
June 7, 2029	355,000		$ 2.75	-
September 3, 2029	275,000		$ 1.80	-
December 2, 2029	610,000		$ 1.26	-
February 14, 2030	150,000		$ 1.36	
	8,853,000			400,000

(1) Includes 5,098,000 of stock options issued to key senior management of the Company under the Company's Plan.

In determining the amount of share-based compensation expense related to options issued, the Company used the Black-Scholes option-pricing model to establish the measurement date fair value of stock options granted during the period. The following assumptions were applied at the time of grant:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	For the Three Months Ended March 31, 2020
Stock price	1.36
Risk-free annual interest rate	1.42% - 1.47%
Expected annual dividend yield	0%
Volatility	85%
Expected life of stock options	5 - 6 years
Forfeiture rate	0%

Volatility was estimated by using a weighting of the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies and the Company volatility. The expected life in years represents the period of time that stock options issued are expected to be outstanding, using a simplified method. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the options. The Company does not anticipate paying dividends in the foreseeable future. As a result, the expected annual dividend yield is expected to be 0%.
As of December 31, 2019, stock options outstanding have a weighted-average remaining contractual life of 9.3 years.

(b) Restricted Stock Grants

The Company grants restricted Subordinated Voting Shares to former owners of acquired businesses or assets, independent directors, management, consultants and other employees. A continuity for the three months ended March 31, 2020 is as follows:

	Number of Restricted Subordinate Voting Shares
Unvested restricted stock as of December 31, 2019	3,539,285
Granted	315,777
Cancelled	-
Vested	(107,396)
Unvested restricted stock as of March 31, 2020	3,747,666

In accordance with the terms of the Advisory and Consulting Agreement and the Data Purchase Agreement related to the MEND transaction completed in November 2018, in January 2020 the Company issued 242,248 restricted shares with a grant date fair value of $1.29 and a three-year vesting period to Dr. Mechtler and another former owner of MEND for services rendered. In addition, 73,529 restricted shares were granted to an independent director of the board with a grant date fair value of $1.36 and will vest on the one-year anniversary of the grant date.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

16. INCOME TAXES

The Company is subject U.S. federal taxation and is also subject to income taxes in various state jurisdictions, all with varying tax rates.

During the three months ended March 31, 2020, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled. During the three months ended March 31, 2020, the Company's deferred tax liabilities were impacted by the TGS Transaction and by the receipt of the Cresco Note and shares.

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that "cost of goods sold" has been permitted as a deduction in determining taxable income. Certain subsidiaries of the Company with medical and recreational cannabis operations are subject to IRC Section 280E, for those subsidiaries, the Company's US tax is based on gross receipts less cost of goods sold.

The CARES Act

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act did not have a material effect on the Company's condensed unaudited interim consolidated financial statements. The Company will continue to monitor future developments and interpretations for further impacts.

17. NON-CONTROLLING INTERESTS

The net change in the non-controlling interests for the three months ended March 31, 2020 is as follows:

	Dalitso	TGSIH	Jushi Europe	Other Non-Material Interests	Total
Balance as of December 31, 2019	$ 9,642,387	$ -	$ -	$ 17,375	$ 9,659,762
Acquisitions	-	4,661,000	-	-	4,661,000
Purchase on non-controlling interests	-	(4,661,000)	-	-	(4,661,000)
Cash Contribution	-	-	2,000,000	-	2,000,000
Net (loss)	(191,256)	-	(77,262)	(12,000)	(280,518)
Balance as of March 31, 2020	$ 9,451,131	$ -	$ 1,922,738	$ 5,375	$ 11,379,244

There was no significant change in the summarized financial information of the non-controlling interests for the three months ended March 31, 2020, other than the changes in the table above.

Other non-material interests in the tables above includes the non-controlling interests in Jushi Ampal NJ, LLC, which is measured using the proportionate share method.

18. COMMITMENTS AND CONTINGENCIES

(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, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of March 31, 2020, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company could be subject to regulatory fines, penalties or restrictions in the future. In addition, refer to Note 16. "Income Taxes" for tax related contingencies.

(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. Other than the civil disputes and other matters described below, the settlement discussed in Note 8. "Business Combinations and Asset Acquisitions", to Jushi's knowledge, there are no material legal proceedings or regulatory actions to which Jushi is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the Company to be contemplated. 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.

TGS and TGSIH

On June 1, 2018, TGS National Holdings LLC, which was acquired by the Company in 2018 and which controls TGS National Franchise, LLC ("TGS"), a franchisor, filed a lawsuit in Colorado state court against San Felasco Nurseries, Inc. ("SFN"), as assignee of Florida Compassionate Growers, LLC, relating to TGS's 2018 exercise of a contractual right of first refusal to purchase SFN, its franchisee, following SFN entering into a letter of intent to sell its franchise to a third-party. The state court lawsuit, which sought equitable relief only, was dismissed by the trial court and the dismissal was affirmed on appeal in May of 2020. Based on a contractual provision entitling the prevailing party to attorneys' fees and costs, the trial court ordered TGS to pay SFN approximately $0.2 million in combined attorney's fees and costs for the SFN's success on the dismissal which was put up on bond by the Company in 2018. SFN may seek an additional amount of attorney's fees from the trial based on the appellate court's affirmance of the dismissal.

On October 22, 2018, TGS filed a claim in an arbitration action against SFN pending before the American Arbitration Association ("AAA"). During 2018, SFN terminated the franchise agreements between it and TGS. SFN then sold its business to a third-party. TGS contends the termination and transfer were wrongful and in late 2018 initiated arbitration seeking to recover its monetary damages. The arbitration has been stayed pending the resolution of the state court action. The Company is pursuing this matter vigorously. As March 31, 2020, $0.2 million was accrued for legal and professional fees in connection with this matter.

In May, as a requirement of the Memorandum of Understanding, Jushi FL SPV, LLC was substituted for TGS as the plaintiff and appellant in the state court action and the claimant in the arbitration.

A minority interest holder in TGS Illinois Holdings LLC ("TGSIH") sued the majority interest holders in

TGSIH and Jushi Inc (including a Jushi-affiliated entity) in state court in Illinois relating to the confidential settlement agreement it entered with the owners of TGS National to purchase its interests in TGSIH. The state trial court dismissed the claims against Jushi and its affiliated entity. The minority interest holder filed a notice of appeal. This legal matter was settled in the first quarter of 2020. Refer to Note 8. "Business Combinations and Asset Acquisitions".

Thar

During November 2018, the Company prepaid an amount for, and, in January 2019, the Company made certain purchases of, raw hemp for a total of $685,000 from Thar Process, Inc ("Thar"). The Company subsequently paid approximately $135,000 of extraction and other costs related to this raw hemp. Testing of the product in its current form has shown that the material is not commercially viable, and as a result the Company recorded a loss relating to inventory impairment of $819,537 for the year ended December 31, 2019, which is presented within operating costs in the statement of operations and comprehensive loss. The outcome of any disputes related to this item is unknown as of March 31,2020 and may result in additional effects on the Company's statements of operations and comprehensive income (loss) in the future. Refer to Note 21. "Subsequent Events".

(c) Commitments

In addition to the contractual obligations outlined in Note 20. "Financial Instruments and Financial Risk Management", the Company has the following commitments as of March 31, 2020:

(i) Property and Construction Commitments

The Company has various lease commitments related to various office space, retail locations and warehouses. The Company has certain operating leases with optional renewal terms that the Company may exercise at its option. Refer to Note 11. "Lease Obligations" for further details.

In connection with various license applications, the Company may enter into conditional leases or other property commitments which will be executed if the Company is successful in obtaining the applicable license and/or resolving other contingencies related to the license or application.

In addition, the Company expects to incur capital expenditures of $15 million - $20 million during the remainder of 2020 for leasehold improvements and construction of buildouts of certain locations, including for properties for which the lease is conditional on obtaining the applicable related license or for which other contingencies exist. If the Company were to be unsuccessful in obtaining a particular license or certain other conditions are not met, the previously capitalized improvements relating to that license may need to be expensed in the statements of operations and comprehensive income (loss).

In connection with certain acquisitions, the Company may agree to lend amounts to the acquiree for the build-out, equipment purchases and other working capital needs. For example, the Company will lend up to $15 million to Dalitso LLC ("Dalitso") in a 9% secured note for such purposes. As of March 31, 2020, the balance of the 9% secured note totaled $9.3 million and was eliminated on consolidation. Refer to Note 21. "Subsequent Events" for an equipment purchase commitment. The Company acquired 61.765% of the membership interests in Dalitso LLC ("Dalitso") in September 2019.

Also refer to "Pending Acquisitions and Arrangements" below.

(ii) ***Consulting Agreements***

In July 2019, the Company was identified as one of three applicants to move forward in the application process for a business license to operate a retail storefront within Culver City, California. If awarded, the Company is obligated to pay, under various consulting arrangements, success fees of approximately $0.3 million and, subject to regulatory approvals, grant a 5% equity interest in the applicant entity. A commitment fund will also be set up to fund $0.1 million annually towards non-profit organizations in Culver City, California.

In addition, the Company has entered into various consulting and service agreements in the ordinary course of business for services to be performed for the Company. In addition, refer to Note 19. "Related Party Transactions" for related party consulting agreements and commitments.

(iii) Pending Acquisitions and Arrangements

a) **Agape Total Health Care Inc**

In September 2019, the Company signed a definitive agreement to acquire 80% of the economic and voting interests in a Pennsylvania dispensary permittee, pending regulatory approvals. Agape received a provisional dispensary permit in Round II from the Pennsylvania Department of Health to open up to three dispensaries to sell medical cannabis in the Philadelphia area. Related to this transaction, in February and March 2019, the Company purchased two commercial properties from unrelated parties in Reading and Pottsville, Pennsylvania, and agreed to develop and lease these properties to the Pennsylvania dispensary permittee. Refer to Note 7. "Property, Plant and Equipment" for further details. In addition, the Company has entered into a consulting agreement with the current owner, whereby the Company is committed to pay up to $12,500 per month for consulting services. Closing of the transaction to acquire 80% of the economic and voting interests in Agape occurred on June 25, 2020. Refer to Note 21. "Subsequent Events".

b) **Santa Barbara Adult Use Cannabis Dispensary**

In February 2019, the Company entered into a binding term sheet to acquire 100% of the economic and voting interest in a Santa Barbara adult use cannabis dispensary for $4.9 million, of which $2.25 million had been paid as of March 31, 2020, subject to the fulfillment of certain conditions, $1.5 million of the total amount is a refundable deposit held in escrow. The Company acquired the associated real estate during March 2019. Refer to Note 6. "Deferred Acquisition Costs" and Note 7. "Property, Plant and Equipment" for additional information. In connection with the acquisition of the Santa Barbara adult use cannabis dispensary, the Company will be required to pay an amount of approximately $0.4 million to facilitators at closing.

c) **San Diego Dispensary**

In July 2019, the Company entered into a securities purchase and exchange agreement with a corporation owning and operating a San Diego dispensary, and the stockholders thereof, dated July 2, 2019 for the acquisition by the Company of 75% of the issued and outstanding shares of the San Diego dispensary. Refer to Note 21. "Subsequent Events" for information about the termination of this agreement.

d) **Malibu Dispensary**

Refer to Note 21. "Subsequent Events" for the termination a previously disclosed transaction to acquire a medical and adult-use dispensary in Malibu pursuant to the terms of the definitive agreement, and the termination of a sublease with this Malibu dispensary.

(iv) Joint Arrangements

From time to time, the Company may enter into arrangements to work together to obtain a license and/or initiate operations. Such arrangements may include capital contributions for application, real estate and development costs.

19. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into during the normal course of business and are measured at the amount established and agreed to by the parties. The Company had the following related party transactions during the three months ended March 31, 2020 and 2019:

Services Agreements

In July 2018, the Company entered into a services agreement with One East Management Services LLC ("OEMS") (a wholly owned subsidiary of One East Capital Advisors, LP ("OECA"), of which James Cacioppo is the Managing Partner). James Cacioppo is the CEO of Jushi. The services agreement, as amended, provides for, among other things, sourcing and assisting in mergers and acquisitions and capital transactions for Jushi. Pursuant to the OEMS Services Agreement, OEMS earned an initial services fee of $50,000 and quarterly fees of $125,000, and was issued warrants exercisable for 1,000,000 of Jushi's Class B common stock (now, Subordinate Voting Shares – each Class B share was converted to a Subordinate Voting Share) at an exercise price of $1.35, plus reimbursement of its expenses. The grant date fair value of the warrants was $0.25 each and the Company has recorded $nil and $17,708 of share-based compensation expense related to the warrants for the three months ended March 31, 2020 and 2019, respectively.

On February 13, 2018, the Company issued One East Capital Advisors, LLP ("OECA") a warrant to purchase 1,375,000 shares with an exercise price of $0.50 that vested upon issuance with a total grant date fair value of $481,250 for reimbursement of services rendered prior to entering into the services agreement, which was recognized in share-based payment expense during the period January 23, 2018 (inception date) to December 31, 2018. Pursuant to an amendment entered into on April 17, 2019, as consideration for OECA's ongoing provision of financial and research-related advice, OECA earned a step-up fee of $75,000 and was issued warrants exercisable for 800,000 of Jushi's Class B common stock (now, Subordinate Voting Shares) at an exercise price of $2.00. The grant date fair value of the warrants was $0.43 each. The Company recorded $52,801 and $nil of share-based compensation expense related to the warrants for the three months ended March 31, 2020 and 2019, respectively.

The Company paid OEMS $125,000 for services rendered during both of the three months ended March 31, 2020 and 2019.. Prepaid consulting fees were $83,333 as of both March 31, 2020 and December 31, 2019. The OEMS Services Agreement terminated on May 31, 2020.

In December 2019, the Company entered into a services agreement with ST2 LLC (a wholly owned subsidiary of OECA) (the "ST2 Services Agreement") for the shared costs of administrative services for James Cacioppo. Pursuant to the ST2 Services Agreement, Jushi will pay ST2 LLC $10,000 quarterly until termination by either party. Prepaid fees to ST2 LLC were $6,667 as of both March 31, 2020 and December 31, 2019.

Consulting Agreements

On February 13, 2018, the Company and Mr. Denis Arsenault entered into a Consulting Agreement. Mr. Arsenault provides general business consulting and advice on the cannabis industry. Mr. Arsenault is a significant shareholder of the Company and a former member of the Board of Directors of Jushi Inc. The term of the Consulting Agreement was for a period of (5) five years. As consideration for the consulting services, the Company issued Mr. Arsenault warrants to purchase 2,750,000 shares of the Company's Class A Common Stock (now, Multi Voting Shares) at a price of $0.50 per share with a grant date fair value was $962,500 that vested upon issuance, and was recognized as share-based payment expense during the period January 23, 2018 (inception date) to December 31, 2018. On April 8, 2019, the Company amended its Consulting Agreement dated February 13, 2018, with Denis Arsenault ("Amendment No. 1 Consulting"), a significant shareholder of the Company. The following are the amendments included in Amendment No. 1 Consulting: (1) issue an additional warrant to Mr. Arsenault to purchase 500,000 shares of Senior Subordinated Shares at an exercise price of $2.00 per share that vest over a three-year period beginning one year after the grant date with an expiration date of April 18, 2029; (ii) payment of an additional one-time step up fee of $150,000; and (iii) annual compensation of $50,000 to be paid quarterly and prorated for partial periods for so long as Mr. Arsenault continues to consult for the Company. The grant date fair value of the warrants was $0.43 each and the Company recorded $33,418 of share-based compensation expense related to the warrants for the three months ended March 31, 2020. The Company recognizes expenses related to this consulting agreement as the services are performed. As of March 31, 2020, amounts accrued for the consulting fees were $12,500.

On April 9, 2019 and September 12, 2019, the Company amended its Consulting Agreement dated February 25, 2019, with Brooke Gehring ("Amendment No. 1 Consulting - Gehring" and "Amendment No. 2 Consulting - Gehring", respectively). Brooke Gehring is the wife of a member of the Company's key management team and director of the Board of Directors of the Company as of December 31, 2019. The following are the amendments included in Amendment No. 1 Consulting - Gehring: (i) issue warrants to Mrs. Gehring to purchase 200,000 shares of Senior Subordinated Shares at an exercise price of $2.00 per share that vested over the six month period beginning on February 25, 2019 with an expiration date of February 25, 2029; and (ii) monthly compensation of $19,583 while providing services to the Company. "Amendment No. 2 Consulting – Gehring extended the term of the agreement. The agreement ended during the first quarter of 2020. The Company recognized expenses related to this consulting agreement as the services were performed. The grant date fair value of the warrants was $0.40 each and the Company fully expensed the fair value of $79,794 in share-based compensation expense related to the warrants during 2019.

Remuneration of Directors and Key Management

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team. The remuneration for services awarded directly to senior key management includes the following:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Salary and wages	$ 300,000	$ 200,000
Share-based compensation	476,743	152,122
Total	$ 776,743	$ 352,122

The compensation for each independent director is $50,000 per year commencing on July 1, 2019, to be paid quarterly, and an initial grant of $100,000 in restricted stock, which will vest after one complete year of service. The Audit Committee Chair received an additional $50,000 in restricted stock for the first year commencing on July 1, 2019, which vests quarterly. The Company recorded $75,000 of independent director fees expense, and $115,624 of share-based compensation expense related to these restricted stock awards for the three months ended March 31, 2020. As of March 31, 2020 and December 31, 2019, amounts accrued for independent director fees were $33,333 and $37,500, respectively.

Lease Agreements

In addition, in the ordinary course of business, the Company may enter into lease or property related agreements with former owners of acquired assets or businesses. Refer to Note 11. "Lease Obligations" for details of variable lease payments.

Refer to Note 13. "Senior Notes and Derivative Warrants Liability" for information regarding senior notes issued to related parties. Refer to Note 14. "Equity" and Note 15. "Share-Based Compensation" for additional details of equity issued to related parties.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments in securities, financial assets, other assets, refundable deferred acquisition costs, certain other long-term assets, accounts payable, accrued expenses and other current liabilities, senior notes, derivative warrants liability, promissory notes payable, and the redemption liability.

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 three levels of hierarchy are:

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.

There were no transfers between fair value levels during the year ended December 31, 2019 and 2018.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Financial instruments are measured at amortized cost or at fair value though profit and loss. The following table provides a summary of the Company's classification and measurement of financial assets and liabilities:

		March 31, 2020			December 31, 2019	Classification and Measurement
Financial Assets:						
Cash and cash equivalents	$	35,718,343		$	38,935,652	Amortized Cost
Investments in securities	$	13,569,025		$	12,266,735	FVTPL
Other short-term financial assets	$	-		$	5,646,419	Amortized Cost
Accounts receivable	$	226,460		$	394,683	Amortized Cost
Other current assets	$	259,069		$	188,007	Amortized Cost
Other long-term assets	$	1,555,317	(1)	$	1,180,455	Amortized Cost
Financial Liabilities:						
Accounts payable	$	1,530,990		$	1,182,819	Amortized Cost
Accrued expenses and other current liabilities	$	11,691,069		$	7,690,549	Amortized Cost
Promissory notes	$	18,046,025		$	25,622,607	Amortized Cost
Senior notes	$	34,930,091		$	10,735,752	Amortized Cost
Derivative warrants liability	$	9,901,212		$	5,528,555	FVTPL
Redemption Liability	$	-		$	8,439,857	FVTPL
Other liabilities	$	-		$	1,653	Amortized Cost

(1) Other long-term assets, which primarily includes escrow and other deposits, approximates its fair value at the balance sheet due. Certain deposits or escrow may relate to pending license applications and therefore may be expensed in future periods if such licenses are not granted.

The carrying values of cash and cash equivalents, accounts receivable, other current assets, other short-term financial assets, accounts payable and accrued expenses are carried at cost which approximates fair value due to the relatively short maturity of those instruments. Other financial instruments measured at amortized cost include promissory notes and senior notes.

The following table presents the fair value hierarchy for the Company's financial assets and financial liabilities that are re-measured at their fair values periodically:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments in securities	$ 13,349,903	$ -	$ 219,122	$ 13,569,025
Derivative warrants liability	$ -	$ -	$ 9,901,212	$ 9,901,212

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments in securities	$ 11,120,288	$ -	$ 1,146,447	$ 12,266,735
Derivative warrants liability	$ -	$ -	$ 5,528,555	$ 5,528,555
Redemption liability	$ -	$ -	$ 8,439,857	$ 8,439,857

Investments in Securities

Certain of the Company's investments in securities are considered to be Level 1 instruments because they are comprised of shares of public companies and there is an active market for the shares with observable market data or inputs. The remainder of the investments in securities and the Company's financial assets are considered to be Level 3 instruments because they are comprised of convertible warrants of a company; and there was no active market for the convertible warrants. Refer to Note 4. "Investments in Securities and Other Financial Assets" for further details on the valuation and a continuity of these securities.

Derivative Warrants Liability

As of March 31, 2020 and December 31, 2019, the derivative warrant liability is measured at fair value based on the Monte Carlo valuation model, which uses Level 1, 2, and 3 inputs. Refer to Note 13. "Senior Notes and Derivative Warrants Liability" for additional details and a continuity of the derivative warrants liability.

Redemption Liability

The redemption liability related to the acquisition of 49% of TGS National was recorded at fair value and was estimated using the present value of the Put Option and Call Option and was therefore considered to be a Level 3 measurement. Refer to Note 8. "Business Combinations and Asset Acquisitions" for additional details on the redemption liability and the cancellation thereof during the first quarter of 2020.

Financial Risk Management

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

(a) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of March 31, 2020, is the carrying amount of cash and cash equivalents, accounts receivable, and other current assets. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. or Canadian financial institutions. Although some cash is placed with major U.S. financial institutions, there has been no change in the U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S.

federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by either the Canada Deposit Insurance Corporation ("CDIC") up to CAD$100,000, or the Federal Deposit Insurance Corporation ("FDIC") up to $250,000, as applicable. As March 31, 2020, the Company had $33.2 million in excess of the CDIC or FDIC insured limits.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

(b) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. During the three months ended March 31, 2020 the Company closed on the Debt Offering and during year ended December 31, 2019, the Company completed several equity financings. Refer to Note 13. "Senior Notes and Derivative Warrants Liability" for additional information on the Debt Offering.

These condensed unaudited interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Company may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Company will be able to continue raising capital in this manner. Refer to Note 21. "Subsequent Events".

In addition to the commitments outlined in Note 18. "Commitments and Contingencies", the Company has the following estimated future contractual payment obligations, excluding interest payments, as of March 31, 2020:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable	$ 1,530,990	$ -	$ -	$ -	$ 1,530,990
Accrued expenses and other current liabilities	$ 11,691,069	$ -	$ -	$ -	$ 11,691,069
Promissory notes	$ 13,134,563	$ 4,954,404	$ -	$ -	$ 18,088,966
Senior Notes	$ -	$ -	$ 48,944,711	$ -	$ 48,944,711
Leases	$ 1,592,778	$ 4,040,867	$ 4,123,168	$ 30,500,091	$ 40,256,904

(d) Market Risk

(i) Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. The Company had limited to no exposure to foreign currency transactions for the three months ended March 31, 2020.

(ii) Interest Rate Risk

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

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Investments in securities are linked to market rates and therefore expose the Company to fair value price risk.

(iv) Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operation, and financial condition.

The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect of unforeseen regulatory changes can have on the goals and operations of the business as a whole.

21. SUBSEQUENT EVENTS

PAMS Acquisition

On June 22, 2020, the Company reached a definitive binding agreement (the "Agreement") to acquire 100% of the equity of Pennsylvania Medical Solutions, LLC ("PAMS"), a Pennsylvania grower-processor owned by Vireo Health International, Inc. ("Vireo") (the "Proposed Acquisition"). PAMS operates a 90,000 sq. ft. facility with approximately 45,000 sq. ft. of high-quality, indoor cultivation when construction is complete. PAM's property can further accommodate an additional 25,000 sq. ft. of indoor cultivation bringing the total to 70,000 sq. ft.

Under the terms of the Agreement, the Company will pay Vireo (subject to purchase price adjustments) $16.3 million in cash, a $3.8 million seller note, and assume a $17 million facility associated with a long-term lease obligation. No equity will be issued in connection with this acquisition. The Company intends to fund the cash portion of the Agreement with the proceeds from the 2020 Offering, as defined below. The parties anticipate closing the Agreement by the end of August 2020.

As part of the Agreement, at closing, the Company will have an assignable purchase option ("Option") to acquire 100% of the equity of Pennsylvania Dispensary Solutions, LLC ("PADS"), a Pennsylvania medical marijuana dispensary permittee in the Commonwealth's Northeast region. PADS currently operates two medical marijuana dispensaries in Scranton and Bethlehem, with the right to operate one additional dispensary in the region. The Option expires 18 months from closing of the Agreement, and is subject to certain closing conditions, including approvals from all applicable regulatory authorities.

In July 2020, the Company entered into an agreement to loan $3 million to the parent company of PAMS, which loan is secured by the Pennsylvania assets and matures on the one-year anniversary of the loan. The loan bears interest at 12% for the first three months and increases incrementally by 2% every three months thereafter to a maximum of 18%.

Senior Notes Upsizing

As of June 30, 2020, the Company holds binding subscriptions totaling $16.2 million for the issuance of 10% senior secured notes and warrants to acquire subordinate voting share, of which $14.35 million had been received as of June 30, 2020. The Company has also received non-binding indications of interest for up to an additional $10 million of financing. The Company intends to use $15 million of the proceeds from the 2020 Offering to fund the cash portion of the acquisition. Jushi Chairman & CEO Jim Cacioppo subscribed for $1.5 million of the notes with other insiders subscribing for $3.35 million of the notes.

Agape

On June 25, 2020, the Company closed on the previously announced acquisition of 80% percent of the economic and voting interests in Agape, a Pennsylvania Dispensary Permittee. In closing, the Company acquired a majority interest in Agape, who will open three retail locations: one in the Philadelphia region, one in Reading and one in Pottsville. The Company intends to continue buildout of, and operate, Agape's dispensaries in Reading, Pottsville and Philadelphia, PA. The consideration for the acquisition includes: (1) $3 million in cash subject to purchase price adjustments; (2) $2 million in senior secured notes; (3) 0.6 million warrants with a $1.25 strike price; and (4) 769,231 subordinate voting shares which were issued at $1.30 each.

Santa Barbara Adult Use Cannabis Dispensary

In April 2020, the Company entered into definitive documents for a sale and leaseback transaction related to the real estate acquired from a third party in connection with the Santa Barbara adult use cannabis dispensary pending acquisition. Refer to Note 18. "Commitments and Contingencies" for additional details on the pending acquisition and purchase of the associated real estate. The sale and leaseback is expected to close in the second half of 2020.

Malibu Dispensary

In May 2020, the Company terminated a previously disclosed transaction to acquire a medical and adult-use dispensary in Malibu pursuant to the terms of the definitive agreement. Additionally, the Company terminated its sublease with this Malibu dispensary.

In October 2018, the Company signed a lease giving it the right, subject to the fulfilment of certain regulatory conditions, to occupy approximately 3,000 square foot of space in a prime retail location on Pacific Coast Highway in Malibu. The Company was developing the location for a retail dispensary as of December 31, 2019. Refer to Note 7. "Property, Plant and Equipment" for further details.

On May 19, 2020, the Company filed a lawsuit in Los Angeles state court against the Malibu dispensary and related parties for repayment of advances and unpaid lease payments totaling approximately $450,000 as of the filing date.

San Diego Dispensary

Under the agreement that was signed in the third quarter of 2019, Jushi was to purchase seventy-five percent (75%) equity and voting interest in the San Diego dispensary – subject to working capital and other customary adjustments – for a price of approximately $12 million. The closing of the transaction was subject to regulatory and other customary closing conditions and was initially scheduled for completion by the end of 2019. On April 8, 2020, the Company notified the sellers of the San Diego dispensary that they were in breach of the agreement and had 30 days to cure the breaches or the Company may terminate the agreement. Sellers responded on April 21, 2020 that they have not breached the agreement and alleged that the Company is in breach for not closing the transaction. As of May 9, 2020, the sellers had not cured the breaches to the agreement. Therefore, in the best interest of the Company and its shareholders, the decision was made for the Company to terminate the agreement effective immediately.

Thar

On May 20, 2020, Thar Process, Inc. filed a lawsuit against Sound Wellness, LLC ("Sound Wellness") in state court in Allegheny County, Pennsylvania claiming breach of contract and unjust enrichments with damages in the amount of $0.1 million plus attorney's fees and costs. On June 24, 2020, Sound Wellness removed the lawsuit to federal court. On July 1, Sound Wellness filed an Answer, Affirmative Defenses and Counterclaims.

Investments

Approximately $3.1 million of the investment loss recognized during the three months ended March 31, 2020 was recovered in the second quarter of 2020 primarily due to a higher Cresco share price as of June 30, 2020. During the second quarter of 2020, the Company sold 817,000 Cresco shares for total proceeds of $3.3 million, and sold 148,000 OGI shares for $0.2 million. As of June 30, 2020, the fair value of the Company's investments in securities was approximately $12.3 million.

Other Agreements

In the second quarter of 2020, the Company entered into non-exclusive wholesale purchase agreements, whereby the Company will purchase inventory during 2020, with total prepayments of $3.5 million made during April and May 2020.

In April 2020, the Company entered into a master lease agreement for up to $2.0 million of cultivation and extraction equipment for the Virginia operations. The lease has a 36-month term and requires monthly payment obligations of interest for advances until the equipment installation is completed. The lease has a one-time purchase option at 64% of the equipment's total cost or $1.3 million at the end of the initial 18 months.