THESE FINANCIAL STATEMENTS FOR JUSHI HOLDINGS INC. ARE ALSO INCLUDED IN THE FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2022, FILED ON SEDAR IN ITS ENTIRETY

Item 8. Audited Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Jushi Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Jushi Holdings Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the years in the three year period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficit, incurred significant operating losses and net loss, sustained significant negative cash flows from operations and needs to generate significant positive cash flows from operations, raise additional funds and/or sell assets to meet its obligations and sustain its operations and was non-compliant with certain debt covenants. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP (PCAOB ID 688)

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

Chicago, Illinois
April 17, 2023

JUSHI HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share amounts)

	December 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,196	$ 94,962
Accounts receivable, net	4,809	3,200
Inventories, net	35,089	43,319
Prepaid expenses and other current assets	3,957	12,875
Total current assets	$ 70,051	$ 154,356
NON-CURRENT ASSETS:		
Property, plant and equipment, net	$ 177,755	$ 137,280
Right-of use assets - finance leases	114,021	94,008
Other intangible assets, net	100,082	192,466
Goodwill	38,239	45,828
Other non-current assets	28,243	27,586
Restricted cash	950	525
Total non-current assets	$ 459,290	$ 497,693
Total assets	$ 529,341	$ 652,049
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 21,313	$ 10,539
Accrued expenses and other current liabilities	46,329	47,972
Income tax payable	19,921	6,614
Debt, net - current portion (including related party principal amounts of $3,189 and $3,384 as of December 31, 2022 and 2021, respectively)	8,704	6,181
Finance lease obligations - current	11,361	12,620
Total current liabilities	$ 107,628	$ 83,926
NON-CURRENT LIABILITIES:		
Debt, net - non-current (including related party principal amounts of $17,491 and $1,194 as of December 31, 2022 and 2021, respectively)	$ 180,558	$ 119,798
Finance lease obligations - non-current	102,375	88,297
Derivative liabilities	14,134	92,435
Income tax liabilities - non-current	57,200	60,051
Other liabilities - non-current	21,555	26,559
Total non-current liabilities	$ 375,822	$ 387,140
Total liabilities	$ 483,450	$ 471,066
COMMITMENTS AND CONTINGENCIES (Note 22)		
EQUITY:		
Common stock, no par value; authorized shares - unlimited; issued and outstanding shares - 196,686,372 and 182,707,359 Subordinate Voting Shares as of December 31, 2022 and 2021, respectively	$ —	$ —
Paid-in capital	492,020	424,788
Accumulated deficit	(444,742)	(242,418)
Total Jushi shareholders' equity	$ 47,278	$ 182,370
Non-controlling interests	(1,387)	(1,387)
Total equity	$ 45,891	$ 180,983
Total liabilities and equity	$ 529,341	$ 652,049

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

JUSHI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands of U.S. dollars, except share and per share amounts)

	Year Ended December 31,		
	2022	2021	2020
REVENUE, NET	$ 284,284	$ 209,292	$ 80,772
COST OF GOODS SOLD	(188,806)	(125,898)	(42,431)
GROSS PROFIT	$ 95,478	$ 83,394	$ 38,341
OPERATING EXPENSES			
Selling, general and administrative	$ 156,166	$ 112,815	$ 54,895
Asset impairments	159,645	6,344	—
Total operating expenses	$ 315,811	$ 119,159	$ 54,895
LOSS FROM OPERATIONS	$ (220,333)	$ (35,765)	$ (16,554)
OTHER INCOME (EXPENSE):			
Interest expense, net	$ (45,591)	$ (30,610)	$ (15,333)
Fair value gain (loss) on derivatives	91,887	105,170	(173,707)
Other, net	(19,839)	8,309	3,702
Total other income (expense), net	$ 26,457	$ 82,869	$ (185,338)
(LOSS) INCOME BEFORE INCOME TAX	$ (193,876)	$ 47,104	$ (201,892)
Income tax expense	(8,448)	(29,625)	(10,623)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	$ (202,324)	$ 17,479	$ (212,515)
Less: net loss attributable to non-controlling interests	—	(2,772)	(1,908)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$ (202,324)	$ 20,251	$ (210,607)
(LOSS) EARNINGS PER SHARE - BASIC	$ (1.06)	$ 0.12	$ (1.94)
Weighted average shares outstanding - basic	190,021,550	170,292,035	108,485,158
(LOSS) EARNINGS PER SHARE - DILUTED	$ (1.44)	$ (0.42)	$ (1.94)
Weighted average shares outstanding - diluted	204,235,432	201,610,251	108,485,158

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

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of U.S. dollars, except share amounts)

	Number of Shares							
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Paid-In Capital	Accumulated Deficit	Total Jushi Shareholders ' Equity	Non-Controlling Interests	Total Equity
Balances - January 1, 2020	149,000	4,000,000	91,592,638	$ 165,436	$ (52,062)	$ 113,374	$ 9,660	$ 123,034
Issuance of shares and warrants for cash, net	—	—	11,500,000	29,243	—	29,243	—	29,243
TGS Transaction	—	—	(4,800,000)	(7,125)	—	(7,125)	4,661	(2,464)
Purchases of non-controlling interest	—	—	3,927,911	7,395	—	7,395	(13,020)	(5,625)
Non-controlling interests - Jushi Europe and other transactions	—	—	—	—	—	—	1,994	1,994
Acquisition of Agape	—	—	769,231	1,000	—	1,000	1,560	2,560
Shares issued for restricted stock grants, net of forfeitures (including related parties)	—	—	4,548,099	—	—	—	—	—
Shares issued upon exercise of warrants	—	—	24,456,519	55,283	—	55,283	—	55,283
Shares issued upon exercise of stock options	—	—	26,666	41	—	41	—	41
Share-based compensation (including related parties)	—	—	—	9,592	—	9,592	—	9,592
Warrant expense	—	—	—	175	—	175	—	175
Shares issued for settlements	—	—	375,000	1,105	—	1,105	—	1,105
Net loss	—	—	—	—	(210,607)	(210,607)	(1,908)	(212,515)
Balances - December 31, 2020	149,000	4,000,000	132,396,064	$ 262,145	$ (262,669)	$ (524)	$ 2,947	$ 2,423
Public offering	—	—	13,685,000	85,660	—	85,660	—	85,660
Purchase of non-controlling interests - Agape	—	—	500,000	1,562	—	1,562	(1,562)	—
Acquisition of Grover Beach	—	—	49,348	368	—	368	—	368
Acquisition of Nature's Remedy	—	—	8,700,000	35,670	—	35,670	—	35,670
Conversion of Super Voting Shares and Multiple Voting Shares	(149,000)	(4,000,000)	18,900,000	—	—	—	—	—
Shares issued for restricted stock grants	—	—	65,398	—	—	—	—	—
Shares issued upon exercise of warrants	—	—	8,667,173	24,676	—	24,676	—	24,676
Shares issued upon exercise of stock options	—	—	216,133	171	—	171	—	171
Share-based compensation (including related parties)	—	—	—	14,506	—	14,506	—	14,506
Settlement of promissory notes due from related parties	—	—	(471,757)	30	—	30	—	30
Net income (loss)	—	—	—	—	20,251	20,251	(2,772)	17,479
Balances - December 31, 2021	—	—	182,707,359	$ 424,788	$ (242,418)	$ 182,370	$ (1,387)	$ 180,983

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

Table of Contents

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of U.S. dollars, except share amounts)

	Number of Shares							
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Paid-In Capital	Accumulated Deficit	Total Jushi Shareholders ' Equity	Non-Controlling Interests	Total Equity
Balances - Balances - January 1, 2022	—	—	182,707,359	$ 424,788	$ (242,418)	$ 182,370	$ (1,387)	$ 180,983
Private placement offerings	—	—	3,717,392	13,680	—	13,680	—	13,680
Shares issued for Apothecarium acquisition	—	—	527,704	1,594	—	1,594	—	1,594
Shares issued for NuLeaf acquisition	—	—	5,551,264	15,102	—	15,102	—	15,102
Shares issued for service received	—	—	114,416	317	—	317	—	317
Shares issued upon conversion of debt at maturity	—	—	910,000	2,412	—	2,412	—	2,412
Shares issued upon exercise of warrants	—	—	3,176,601	10,578	—	10,578	—	10,578
Shares issued upon exercise of stock options	—	—	121,976	26	—	26	—	26
Share-based compensation (including related parties)	—	—	—	23,073	—	23,073	—	23,073
Shares canceled upon forfeiture of restricted stock, net of restricted stock grants	—	—	(140,340)	—	—	—	—	—
Collection of note receivable from employee shareholder	—	—	—	450	—	450	—	450
Net loss	—	—	—	—	(202,324)	(202,324)	—	(202,324)
Balances - December 31, 2022	—	—	196,686,372	$ 492,020	$ (444,742)	$ 47,278	$ (1,387)	$ 45,891

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

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Year Ended December 31, 2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (202,324)	$ 17,479	$ (212,515)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization, including amounts in cost of goods sold	26,492	8,411	4,425
Share-based compensation	23,073	14,506	9,592
Fair value changes in derivatives	(91,887)	(105,170)	173,707
Net gains on business combinations	—	—	(10,149)
Non-cash interest expense, including amortization of deferred financing costs	19,437	17,055	8,205
Deferred income taxes and uncertain tax positions	(17,455)	21,713	8,300
Loss on debt modification/extinguishment/redemption	18,858	3,815	1,853
Asset impairments	159,645	6,344	170
Inventory charge	9,418	—	—
Other non-cash items, net	2,061	(1,297)	3,570
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(1,594)	(1,872)	(61)
Accounts payable, accrued expenses and other current liabilities	24,106	21,558	7,842
Inventory	5,396	(12,945)	(4,254)
Prepaid expenses and other current assets	1,627	(7,502)	(1,724)
Other assets	1,731	3,601	(1,325)
Net cash flows used in operating activities	$ (21,416)	$ (14,304)	$ (12,364)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for acquisitions, net of cash acquired	$ (20,978)	$ (47,308)	$ (28,564)
Payments for property, plant and equipment	(56,881)	(75,296)	(22,780)
Proceeds from investments and financial asset	—	9,149	18,597
Other investing activities	(3,000)	—	(13,053)
Net cash flows used in investing activities	$ (80,859)	$ (113,455)	$ (45,800)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of shares, net	$ 13,680	$ 85,660	$ 29,243
Proceeds from exercise of warrants and options	1,203	17,128	46,587
Proceeds from acquisition facility	25,000	40,000	—
Proceeds from issuance of second lien notes and related warrants in 2022 and senior notes and related warrants in 2020	31,594	—	51,861
Redemptions of senior notes (including related party redemptions of $8 and $3,072 for the year ended December 31, 2022 and 2021, respectively	(33,726)	(8,134)	—
Payments of acquisition promissory notes	—	(1,620)	(24,003)
Payments of finance leases, net of tenant allowance of $10,633, $19,046 and $200 for the year ended December 31, 2022, 2021 and 2020, respectively	(8,775)	(1,163)	(1,848)
Proceeds from other debt	2,800	7,910	3,529
Repayments of other debt	(148)	(417)	—
Payments of loan financing costs	(2,437)	(1,701)	—
Proceeds from other financing activities	6,030	—	—
Payments of other financing activities, net	(1,238)	—	(237)
Net cash flows provided by financing activities	$ 33,983	$ 137,663	$ 105,132

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

JUSHI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

	Year Ended December 31,		
	2022	**2021**	**2020**
Effect of currency translation on cash and cash equivalents	(49)	(274)	(47)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	$ (68,341)	$ 9,630	$ 46,921
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	95,487	85,857	38,936
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 27,146	$ 95,487	$ 85,857
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest (excluding capitalized interest)	$ 27,706	$ 13,798	$ 7,359
Cash paid for income taxes	$ 11,668	$ 7,066	$ 1,336
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Capital expenditures	$ 7,921	$ 17,599	$ 2,177
Right of use assets from finance lease liabilities (excluding from acquisitions), net of tenant allowance receivable of $0, $7,357 and $805 for the year ended December 31, 2022, 2021 and 2020, respectively	$ 4,811	$ 51,200	$ 15,287
Debt and equity issued for services received	$ 702	$ —	$ —

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

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the "Company" or "Jushi") is incorporated under the British Columbia's Business Corporations Act. The Company is a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. As of December 31, 2022, 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, Massachusetts, Nevada, California and Ohio. The Company's head office is located at 301 Yamato Road, Suite 3250, Boca Raton, Florida 33431, United States of America, and its registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8, Canada.

The Company is listed on the Canadian Securities Exchange ("CSE") and trades its subordinate voting shares ("SVS") under the ticker symbol "JUSH", and trades on the United States Over the Counter Stock Market ("OTCQX") under the symbol "JUSHF". The Company's Registration Statement on Form S-1, initially filed with the U.S. Securities and Exchange Commission ("SEC") on July 22, 2022, as amended on August 8, 2022, was declared effective by the SEC on August 12, 2022 (the "S-1").

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying consolidated financial statements present the consolidated financial position and operations of Jushi Holdings Inc. and its subsidiaries and entities over which the Company has control, in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The accounts of the subsidiaries are prepared for the same reporting period using consistent accounting policies. Intercompany balances and transactions are eliminated in consolidation.

Going Concern and Liquidity

As reflected in these consolidated financial statements, the Company has incurred a loss from operations of $220,333, including non-cash asset impairment charges of $159,645, and used net cash of $21,416 for operating activities for the year ended December 31, 2022, and as of that date, the Company's current liabilities exceeded its current assets by $37,577. Since inception, management has focused on building a diverse portfolio of assets in attractive markets to vertically integrate its business. As such, the Company has incurred losses as it continues to expand. Management has put in place plans to increase the profitability of the business in fiscal year 2023 and beyond. In order to achieve profitable future operations, management begun to commercialize production from its recently expanded grower-processing facilities in Pennsylvania and Virginia, as well as implemented a cost-savings and efficiency optimization plan which includes, among others, reduction in labor and packaging costs as well as operating efficiencies at the Company's retail and grower-processing facilities.

As a result of the above, substantial doubt exists about the Company's ability to continue as a going concern within the next twelve months from the date these financial statements are issued. Management intends to fund the Company's operations, capital expenditures and debt service with existing cash and cash equivalents on hand, cash generated from operations and, as needed, future financing (equity and/or debt) as well as the potential sales of non-core assets. The ability to continue as a going concern is dependent upon profitable future operations and positive cash flows from operations as well as future financing and/or sales of assets if necessary. There is no assurance that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern.

Additionally, the Acquisition Facility, as more further described in Note 12 - Debt, contains certain financial and other covenants with which the Company is required to comply. The required financial covenants related to minimum (i) unrestricted cash and cash equivalents balance requirement and (ii) minimum quarterly revenue requirement. Subsequent to year end December 31, 2022, on February 24, 2023 and February 27, 2023, the Company was non-compliant with an affirmative covenant relating to a minimum cash deposit requirement in a specified bank account. The Company also anticipated not being able to provide a certification to the lender in connection with its annual financial statements that the audit report did not contain a going concern qualification. The Company received waivers for these two instances on April 17, 2023.

The consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Correction of Errors in Previously Issued Financial Statements

In November 2022, the Company identified an error in the appraised value of the business licenses acquired in connection with the acquisition of Nature's Remedy in September 2021, which was used in the purchase price allocation (Refer to Note 7 - Acquisitions for additional information). The appraised value of the business licenses was determined with the assistance of a third-party valuation firm, which used an incorrect input in the valuation model. The impact of the error was a $10,000 understatement of indefinite-lived intangible assets - license, a $7,092 overstatement of goodwill, and a $(2,908) understatement of income tax liabilities – non-current on the Company's audited consolidated financial statements as of and for the year ended December 31, 2021. The Company revised its consolidated balance sheet as of December 31, 2021 as summarized in the table below:

	As Previously Reported	As Revised
Other intangible assets, net	$ 182,466	$ 192,466
Goodwill	$ 52,920	$ 45,828
Total non-current assets	$ 494,785	$ 497,693
Total assets	$ 649,141	$ 652,049
Income tax liabilities - non-current	$ 57,143	$ 60,051
Total non-current liabilities	$ 384,232	$ 387,140
Total liabilities	$ 468,158	$ 471,066
Total liabilities and equity	$ 649,141	$ 652,049

Summary of Significant Accounting Policies

Functional and Reporting Currency

The functional currency of the Company and its subsidiaries, as determined by management, is the U.S. dollar. The Company's reporting currency is the U.S. Dollar. These consolidated financial statements are presented in thousands of U.S. dollars unless otherwise noted. 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 into 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.

Use of Estimates

The preparation of these consolidated financial statements and accompanying notes requires us to make estimates and assumptions that affect amounts reported. Estimates are used to account for certain items such as the valuation of inventories, including stage of growth of cannabis plants, the likelihood the plants will grow to full maturity, and the estimated yields from harvest and conversion to finished goods; the assessment of business combinations and asset acquisitions and the fair values of the assets and liabilities acquired; the fair value of purchase consideration and contingent consideration; the useful lives of definite lived intangible assets and property and equipment; share-based compensation, leases, income tax provision and uncertain tax positions, the collectability of receivables and other items requiring judgment. Estimates are based on historical information and other assumptions that management believes are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ materially.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Cash and Cash Equivalents and Restricted Cash

The Company considers cash deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash deposits in financial institutions and cash held at retail locations. Cash and cash held in money market investments are carried at fair value. When the use of a cash balance is subject to regulatory or contractual restrictions and therefore not available for general use by the Company, the Company classifies the cash as restricted cash.

The Company maintains cash with various U.S. financial institutions with balances in excess of the Federal Deposit Insurance Corporation limits. The failure of a financial institution where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company’s business, financial condition and results of operations.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	As of December 31,		
	2022	2021	2020
Cash and cash equivalents	$ 26,196	$ 94,962	$ 85,857
Restricted cash	950	525	—
Cash, cash equivalents and restricted cash	$ 27,146	$ 95,487	$ 85,857

Accounts Receivable and Expected Credit Losses

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit losses (or “allowance”) reflects the Company’s estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of accounts receivable is reviewed on an ongoing basis. Expected credit losses are determined based on a combination of factors, including the Company’s risk assessment regarding the specific exposures, credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered. The Company’s charges to provision for credit losses and write-off of uncollectible receivables during each financial periods presented in the consolidated statements of operations and comprehensive income (loss) and its related allowance at each respective balance sheet date were not material given that a significant majority of the Company’s sales were collected in cash at the point of sale.

Inventories

Inventories are comprised of raw materials, work in process, finished goods and packaging materials. Inventories primarily consist of cannabis plants, dried cannabis, cannabis trim, and cannabis derivatives such as oils and edible products, and accessories. Inventories are initially recorded at cost and subsequently at the lower of cost or net realizable value. Costs incurred during the growing and production processes are capitalized as incurred, as adjusted for estimated normal capacity and expected yields when incurred. These costs include direct materials, labor and manufacturing overhead used in the growing and production processes. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs to complete and sell. Cost is primarily determined on an average cost basis. The Company also reviews inventory for obsolete and slow-moving goods and writes down inventory to net realizable value.

Property, Plant and Equipment

Property, plant, and equipment ("PP&E") are measured at cost less accumulated depreciation, and impairment losses, if applicable. Purchased property and equipment are initially recorded at cost, or, if acquired in a business combination, at the acquisition date fair value. Finance lease right-of-use assets are recognized at inception based on the present value of minimum future lease payments. Depreciation is recognized on a straight-line basis over the following periods:

Buildings and building components	7 - 30 years
Leasehold improvements	The lesser of the term of the lease or the estimated useful life of the asset: 1 - 28 years
Machinery and equipment	1 - 10 years
Furniture, fixtures and office equipment (including computer)	2 - 7 years
Finance lease ROU assets - buildings	14 - 28 years
Finance lease ROU assets - machinery and equipment	3 - 5 years

Land has an unlimited useful life and is, therefore, not depreciated. An asset's residual value, useful life and depreciation method are reviewed annually and adjusted prospectively if necessary.

Construction-in-process ("CIP") represents assets under construction and is measured at cost, including borrowing costs incurred during the construction of qualifying assets. When construction on a property is complete and available for use, the cost of construction which has been included in CIP will be reclassified to buildings and improvements, leasehold improvements or furniture and fixtures, as appropriate, and depreciated.

Impairment of Long-Lived Assets

Property and equipment, as well as right-of-use assets and definite lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If circumstances require these long-lived assets to be tested for possible impairment and the Company's analysis indicates that a possible impairment exists based on an estimate of undiscounted future cash flows, the Company is required to estimate the fair value of the asset.

An impairment charge is recorded for the excess of the asset's or asset group's carrying value over its fair value, if any. Asset groups have identifiable cash flows and are largely independent of other asset groups. The Company assesses the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including recent third-party comparable sales and discounted cash flow models. The Company's impairment analyses require management to apply judgment in estimating future cash flows as well as asset fair values, and other assumptions.

Business Combinations

Acquisitions are assessed under ASC 805 Business Combinations, and judgement is required to determine whether a transaction qualifies as an asset acquisition or business combination. The Company includes in these financial statements the results of operations of the businesses acquired from the acquisition date. Acquisition-related expenses are recognized separately from a business combination and are expensed as incurred.

The Company allocates the purchase price of the business combination to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. To the extent the fair value of the net assets acquired, including other identifiable assets, exceeds the purchase price, a bargain purchase gain is recognized in the statement of operations and comprehensive income (loss).

Acquisitions of assets or a group of assets that do not meet the definition of a business are accounted for as asset acquisitions using the cost accumulation method, whereby the cost of the acquisition, including certain transaction costs, is allocated to the assets acquired on the basis of relative fair values. No goodwill is recognized in an asset acquisition.

Variable Interest Entities

The Company determines at the inception of each arrangement whether an entity in which the Company has made an investment or in which it has other variable interests is considered a variable interest entity ("VIE"). The Company consolidates VIEs when it is the primary beneficiary. The Company is the primary beneficiary of a VIE when it has the power to direct activities that most significantly affect the economic performance of the VIE and has the obligation to absorb the majority of their losses or benefits. If the Company is not the primary beneficiary in a VIE, the VIE will be accounted for in accordance with other applicable accounting guidance. Periodically, the Company assesses whether any changes in the Company's interest or relationship with the entity affect the determination of whether the entity is a VIE and, if so, whether the Company is the primary beneficiary.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. The estimated useful lives, residual values and amortization methods are reviewed annually, and any changes in estimates are accounted for prospectively. Finite lived intangible assets are amortized using the straight-line method over their estimated useful lives.

Goodwill and Indefinite Lived Intangibles

In accordance with ASC 350 Intangibles - Goodwill and Other, the Company reviews goodwill and indefinite lived intangibles for impairment at the reporting unit level annually, or, when events or circumstances dictate, more frequently. At the time of a business combination, goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. The Company first performs a qualitative assessment to determine if it is more-likely-than-not that the reporting unit's carrying value, which includes goodwill and intangibles, is less than its fair value, indicating a potential for impairment, and therefore requiring a quantitative assessment. If the Company determines that a quantitative impairment test is required, the Company typically uses a combination of an income approach, i.e., a discounted cash flow calculation, and a market approach, i.e., using a market multiple method, to determine the fair value of each reporting unit, and then compare the fair value to its carrying amount to determine the amount of impairment, if any. If a reporting unit's fair value is less than its carrying amount, the Company would record an impairment charge based on that difference, up to the amount of goodwill and intangibles allocated to that reporting unit.

The quantitative impairment test requires the application of a number of significant assumptions, including estimated revenue growth rates, profit margins, terminal value growth rates, market multiples, and discount rates. The projections of future cash flows used to assess the fair value of the reporting units are based on the internal operation plans reviewed by management. The market multiples are based on comparable public company multiples. The discount rates are based on the risk-free rate of interest and estimated risk premiums for the reporting units at the time the impairment analysis is prepared or such evaluation date.

The Company performs its goodwill and indefinite-lived intangible assets impairment tests on an annual basis.

Leases

In accordance with ASC 842 Leases, the Company determines if an arrangement is a lease at inception. When a leasing arrangement is identified, a determination is made at inception as to whether the lease is an operating or a finance lease. Operating lease right-of-use ("ROU") assets and operating lease (current and non-current) liabilities and finance lease ROU assets and finance lease (current and non-current) liabilities are recognized in the consolidated balance sheets. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and are expensed in the consolidated statements of operations on a straight-line basis over the lease term.

Right of use ("ROU") assets represent the Company's right to use an underlying asset in which the Company obtains substantially all of the economic benefits and the right to direct the use of the asset during the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term, using a discount rate equivalent to the Company's incremental borrowing rate for a term similar to the estimated duration of the lease, as the rates implicit in the Company's leases are not readily available. Payments that are not fixed at the commencement of the lease are considered variable and are excluded from the ROU asset and lease liability calculations. For finance leases, interest expense on lease liabilities is recognized using the effective interest method, and amortization of the related ROU asset is on a straight-line basis. Refer to Property, Plant and Equipment above for the useful lives of finance lease ROU assets. Operating lease cost, which includes the interest on the lease liability and amortization of the related ROU asset, is recognized on a straight-line basis over the lease term.

Topic 842 requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available in accordance with Topic 842. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording leases. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Topic 842 requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Segment

The Company operates a vertically integrated cannabis business in one reportable segment for the cultivation, manufacturing, distribution and sale of cannabis in the U.S. All of the Company's revenues were generated within the U.S., and substantially all long-lived assets are located within the U.S.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 Revenue from Contracts with Customers ("ASC 606"). ASC 606 requires revenue to be recognized when control of the promised goods or services are transferred to customers at an amount that reflects the consideration that the Company expects to receive. Application of ASC 606 requires a five-step model applicable to all product offering revenue streams as follows: (1) Identify a customer along with a corresponding contract; (2) Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer; (3) Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer; (4) Allocate the transaction price to the performance obligation(s) in the contract; and (5) Recognize revenue when or as the Company satisfies the performance obligation(s).

Contract assets, as defined in ASC 606, include amounts that represent the right to receive payment for goods and services that have been transferred to the customer with rights conditional upon something other than the passage of time. Contract liabilities are defined in the standard to include amounts that reflect obligations to provide goods and services for which payment has been received. The Company has no contract assets or unsatisfied performance obligations as of each balance sheet date presented in its consolidated balance sheets.

The Company's contracts with customers for the sale of dried cannabis, cannabis oil and other cannabis related products may consist of multiple performance obligations. Revenue from the direct sale of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has paid for the goods. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. Revenue is measured based on the amount of consideration that the Company can expect to receive in exchange for those goods or services, reduced by promotional discounts and estimates for return allowances and refunds. Taxes collected from customers for remittance to governmental authorities are excluded from revenue.

For some of its locations, the Company offers a loyalty reward program to its dispensary customers. A portion of the revenue generated in a sale is allocated to the loyalty points earned. The Company records a reduction in revenue and a liability based on the estimated probability of the point obligation incurred, calculated based on a standalone selling price of each point. Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. Loyalty points expire six months from award date and the Company expects outstanding loyalty points to be redeemed within six months.

Costs of Goods Sold

Cost of goods sold includes the costs directly attributable to revenue recognition and includes compensation and fees for services, travel and other expenses for services and costs of products and equipment.

Operating Expenses

Operating expenses represent costs incurred at the Company's corporate and administrative offices, primarily related to: compensation expenses, including share-based compensation; depreciation and amortization; professional fees and legal expenses; marketing, advertising and selling costs; facility-related expenses, including rent and security; insurance; software and technology expenses; impairments; and acquisition and deal costs. Advertising and promotion costs are included as a component of operating expenses and are expensed as incurred.

Share-Based Payment Arrangements

The Company accounts for equity-settled share-based payments in accordance with ASC 718 Compensation – Stock Compensation, which requires the Company to recognize share-based compensation expenses related to grants of stock options, restricted stock awards ("RSAs") and compensatory warrants to employees and non-employees based on the fair value of the share-based payments over the vesting period with a corresponding offsetting amount to paid-in capital within equity in the accompanying consolidated balance sheets. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period. No adjustment is made to any expense recognized in prior periods if vested stock options or warrant awards expire without being exercised. For share-based payments made prior to 2023, the Company recorded the share-based compensation expenses using the graded vesting basis and are included in selling, general and administrative operating expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

The fair value of stock options and compensatory warrants is estimated using the Black-Scholes valuation model, which requires assumptions for expected volatility, expected dividends, the risk-free interest rate and the expected term. The

Company accounts for forfeitures of share-based grants as they occur. If any of the assumptions used in the Black-Scholes model or the anticipated number of shares to be vested change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period. The fair value of RSAs is estimated based on the Company's stock on grant date.

Income Taxes

Income tax expense is the total of the current period income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for U.S. federal income tax purposes as well as state income tax purposes for all states except for California and Colorado. Starting with the 2022 tax year, Massachusetts and New York also decoupled from IRC Section 280E. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to sales of product, i.e. the cost of producing the products or cost of production. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

In accordance with ASC 740 Income Taxes, a tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized upon examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

The Company is treated as a U.S. corporation for U.S. federal income tax purposes under IRC Section 7874 and is subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company, regardless of any application of IRC Section 7874, is treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Corporation is subject to taxation both in Canada and the U.S.

Earnings or Loss per Share

Basic earnings or loss per share is computed by dividing the net income or loss attributable to Jushi shareholders by the basic weighted average number of shares of common stock outstanding for the period. Diluted earnings or loss per share is computed by dividing the net income or loss attributable to Jushi shareholders by the sum of the weighted average number of shares of common stock outstanding for the period, and the number of additional shares of common stock that would have been outstanding if the Company's outstanding potentially dilutive securities had been issued. Potentially dilutive securities include stock options, warrants, unvested restricted stock, convertible promissory notes, and vested restricted stock issued to employees for which a corresponding non-recourse promissory note receivable with the employee is outstanding until the notes are repaid. The dilutive effect of potentially dilutive securities is reflected in diluted earnings or loss per share by application of the treasury stock method, except if its impact is anti-dilutive. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement: (i) Level 1 – Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date; (ii) Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by the observable market data for substantially the full term of the assets or liabilities; (iii) Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Refer to Note 23 - Financial Instruments.

COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic. COVID-19 continues to spread throughout the U.S. and other countries across the world, and the duration and severity of its effects are currently unknown. At the onset of the COVID-19 pandemic, the Company implemented procedures at all operating locations to better protect the health and safety of its employees, medical patients, and customers across its network of dispensaries at the onset of the COVID-19 outbreak, and the Company continues to implement and evaluate actions to strengthen its financial position and support the continuity of its business and operations.

To date, the Company's financial condition and results of operations have not been materially impacted by COVID-19. The extent to which the COVID-19 pandemic impacts the Company's future results will depend on future developments, which are highly uncertain and cannot be predicted with certainty, including possible future outbreaks of new strains of the virus and governmental and consumer responses to such future developments.

Emerging Growth Company

As an emerging growth company ("EGC"), the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act until such time the Company is no longer considered to be an EGC. The adoption dates discussed in Recent Accounting Pronouncements reflect this election.

Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. Adjustments have been made to: (i) the consolidated statements of cash flows to reclassify the presentation of uncertain tax position from change in accounts payable, accrued expenses and other current current liabilities to deferred income taxes and uncertain tax positions of $26,823 and $11,857 for the years ended December 31, 2021 and 2020, respectively, and (ii) the consolidated balance sheets to reclassify the presentation of certain other non-current liabilities from Debt, net - current portion to Other liabilities - non current of $3,173 as of December 31, 2021. These reclassifications had no effect on the reported net cash flows used in operating activities included in the consolidated statements of cash flows, or total non-current liabilities in the consolidated balance sheets.

Recent Accounting Pronouncements

Adoption of New Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill*

Impairment (ASU 2017-04). The FASB issued guidance eliminates the performance of Step 2 from the goodwill impairment test. In performing its annual or interim impairment testing, an entity will instead compare the fair value of the reporting unit with its carrying amount and recognize any impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The amendments in this ASU are effective for the Company for fiscal years beginning after December 15, 2022 with early adoption permitted, as amended by ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)* and ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350)*.

The Company early adopted ASU 2017-04 in 2022. See Note 8 - Goodwill and Other Intangible Assets for additional information.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options.* The FASB issued guidance to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2021. The adoption of this standard in 2022 did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Issued But Not Yet Adopted

In June 2020, the FASB issued ASU 2020-06 *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,* which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. This ASU also removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and simplifies the diluted earnings per share calculation in certain areas. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2023, although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The FASB issued guidance requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied Topic 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements (if the acquiree prepared financial statements in accordance with generally accepted accounting principles). The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2023, although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The FASB issued guidance clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2023, although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. The FASB issued guidance clarifies the accounting for leasehold improvements associated with common control leases, by requiring that leasehold improvements associated with common control leases be amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease. Additionally, leasehold improvements associated with common control leases should be accounted for as a transfer between entities under common control through an adjustment to equity if, and when, the lessee no longer controls the use of the underlying asset. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2023. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

3. REVENUE

The Company has three revenue streams: (i) cannabis retail, (ii) cannabis wholesale and (iii) other. The Company's retail revenues are comprised of cannabis operations for medical and adult-use dispensaries. The Company's wholesale revenues are comprised of cannabis cultivation, processing, production and distribution of cannabis for medical and adult-use. The Company's other operations primarily include the Company's hemp/cannabidiol ("CBD") retail operations. Any intercompany revenue and any costs between entities are eliminated to arrive at consolidated totals.

The following table summarizes the Company's revenue from external customers, disaggregated by revenue stream:

	Year Ended December 31,		
	2022	2021	2020
Retail cannabis	$ 261,016	$ 195,085	$ 75,499
Wholesale cannabis	23,160	13,792	4,738
Other	108	415	535
Total revenue, net	$ 284,284	$ 209,292	$ 80,772

4. INVENTORIES

The components of inventories, net, are as follows:

	As of December 31,	
	2022	2021
Cannabis plants	$ 4,347	$ 6,347
Harvested cannabis and packaging	9,052	5,180
Total raw materials	$ 13,399	$ 11,527
Work in process	7,845	8,756
Finished goods	13,845	23,036
Total inventories, net	$ 35,089	$ 43,319

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

The components of prepaid expenses and other current assets are as follows:

	As of December 31,	
	2022	2021
Prepaid expenses and deposits	$ 3,409	$ 3,837
Landlord receivables for reimbursement of certain expenditures	—	7,357
Other current assets	548	1,681
Total prepaid expenses and other current assets	$ 3,957	$ 12,875

6. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment ("PPE") are as follows:

	As of December 31,	
	2022	2021
Buildings and building components	$ 80,697	$ 49,697
Land	14,085	12,380
Leasehold improvements	43,472	24,042
Machinery and equipment	27,615	12,656
Furniture, fixtures and office equipment (including computer)	16,126	10,221
Construction-in-process	20,086	35,625
Total property, plant and equipment - gross	$ 202,081	$ 144,621
Less: Accumulated depreciation	(24,326)	(7,341)
Total property, plant and equipment - net	$ 177,755	$ 137,280

Construction-in-process represents assets under construction for manufacturing and retail build-outs not yet ready for use.

Total depreciation, including depreciation from assets held under finance leases (which are reflected separately in the consolidated balance sheets), was $23,898, $8,808 and $2,293 for the years ended December 31, 2022, 2021 and 2020, respectively.

Interest expense capitalized to PPE totaled $2,616, $977 and $1,074 for the years ended December 31, 2022, 2021 and 2020, respectively.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

7. ACQUISITIONS

2022 Business Combinations

The Company had the following acquisitions during the year ended December 31, 2022: (i) Apothecarium; and (ii) NuLeaf (each as defined below). The following table summarizes the preliminary purchase price allocations as of their respective acquisition dates:

	NuLeaf	Apothecarium	Total
Assets Acquired:			
Cash and cash equivalents	$ 618	$ 25	$ 643
Prepaids and other assets	278	32	310
Accounts receivable, net	39	—	39
Inventory	5,334	699	6,033
Indemnification assets [1]	5,734	—	5,734
Property, plant and equipment	11,880	498	12,378
Right-of-use assets - finance lease	4,598	2,333	6,931
Right-of-use assets - operating lease	1,067	—	1,067
Intangible assets [2]	14,097	8,600	22,697
Deposits	110	301	411
Total assets acquired	$ 43,755	$ 12,488	$ 56,243
Liabilities Assumed:			
Accounts payable and accrued liabilities	$ 584	$ 497	$ 1,081
Finance lease obligations	5,054	2,323	7,377
Operating lease obligations	1,067	—	1,067
Deferred tax liabilities	5,518	2,283	7,801
Uncertain tax positions	5,734	—	5,734
Total liabilities assumed	$ 17,957	$ 5,103	$ 23,060
Net assets acquired	$ 25,798	$ 7,385	$ 33,183
Goodwill [3]	24,474	7,834	32,308
Total	$ 50,272	$ 15,219	$ 65,491
Consideration:			
Consideration paid in cash, net of working capital adjustments	$ 14,918	$ 6,703	$ 21,621
Consideration payable in cash (customary hold back liability)	932	—	932
Consideration paid in promissory notes (fair value)	12,860	6,922	19,782
Consideration paid in shares	13,573	1,594	15,167
Contingent consideration	7,989	—	7,989
Fair value of consideration	$ 50,272	$ 15,219	$ 65,491

(1) As part of the NuLeaf acquisition agreement, the sellers contractually agreed to indemnify the Company for certain amounts that may become payable, including for taxes that relate to periods prior to the date of acquisition. Accordingly, the Company recorded indemnification assets and corresponding estimated accrued tax liabilities, at fair value, for a total of $5,734 as of the date of the acquisition. Subsequent changes in the amounts recognized for the indemnification assets may occur in relation to the provision for the corresponding tax liabilities, according to changes in the range of outcomes or the assumptions used to develop the estimates of the liabilities at the time of the acquisition

(2) Included licenses acquired of $10,400 and $8,600 for NuLeaf and Apothecarium, respectively, which have indefinite useful lives. The estimated fair values of the licenses were determined using the multi-period excess earnings method under the income approach based on projections extended to 2036.

(3) The goodwill recognized from the acquisitions is attributable to synergies expected from integrating the acquired businesses into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

NuLeaf

In April 2022, the Company closed on the acquisition of 100% of NuLeaf Inc., NuLeaf CLV Inc. and their subsidiaries (collectively, "NuLeaf"). NuLeaf is a vertically integrated operator in Nevada, which operates two retail dispensaries in Las Vegas, Nevada, one retail dispensary in Las Vegas Boulevard, Nevada, a 27,000 sq. ft. cultivation facility in Sparks, Nevada, and a 13,000 sq. ft. processing facility in Reno, Nevada. The Company paid consideration comprised of $14,918 in cash, net of working capital adjustments, 4,662,384 SVS (with an acquisition date fair value of $2.91 per SVS), and an unsecured five-year note with a face value of $15,750 (fair value of $12,860). Additionally, cash consideration of $932 was subjected to customary holdbacks at closing. The Company was required to pay an additional $10,000 ($3,000 in cash, $3,000 as an addition to the five-year note and the balance in shares) contingent on the opening of a third retail dispensary. In June 2022, the Company opened the third retail dispensary, and in July 2022, the Company paid $3,000 in cash (included in other investing activities in the consolidated statements of cash flows for the year ended December 31, 2022), amended the five-year note for an additional face value of $3,000 (fair value of $2,657), and issued 888,880 SVS (aggregate value of $1,529) to settle the contingent consideration liability. Refer to Note 12 - Debt for details on the seller notes.

Apothecarium

In March 2022, the Company closed on the acquisition of 100% of the equity interest of an entity operating an adult-use and medical retail dispensary under the name, "The Apothecarium" in Las Vegas, Nevada ("Apothecarium"), for consideration comprised of $6,703 in cash, net of working capital adjustments, 527,704 SVS (with a grant date fair value of $3.02 per SVS), and an unsecured five-year note with a face value of $9,853 (fair value of $6,922). Refer to Note 12 - Debt for details on the seller notes. The Apothecarium acquisition, together with the prior acquisition of Franklin Bioscience NV, LLC, a holder of medical and adult-use cannabis cultivation, processing, and distribution licenses, enabled the Company to become vertically integrated in Nevada, as well as provide significant branding exposure for Jushi's high-quality product lines.

Preliminary Purchase Price Allocations for 2022 Business Combinations

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the dates of the acquisitions and remain preliminary as of December 31, 2022. These estimated fair values involve significant judgement and estimates. The primary area of judgement involves the valuation of the business licenses acquired, 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: licenses acquired, inventories, property, plant and equipment, leases, contingent consideration, promissory notes, deferred tax liabilities, and residual goodwill. 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.

2021 Business Combinations and Asset Acquisitions

The Company had the following acquisitions during the year ended December 31, 2021: (i) Nature's Remedy; (ii) OSD; (iii) OhiGrow; and (iv) Grover Beach (each as defined below). The following table summarizes the purchase price allocations as of their respective acquisition dates:

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Business Combinations		Asset Acquisitions		
	Nature's Remedy	OSD	OhiGrow	Grover Beach	Total
Assets Acquired:					
Cash and cash equivalents	$ 3,195	$ 259	$ —	$ —	$ 3,454
Prepaids	325	53	—	—	378
Accounts receivable, net	263	—	—	—	263
Inventory	15,882	184	—	—	16,066
Indemnification assets (1)	1,322	1,411	—	—	2,733
Property, plant and equipment	19,470	—	3,165	269	22,904
Right-of-use assets - finance leases	27,305	—	—	2,050	29,355
Right-of-use assets - operating leases	1,337	1,859	—	—	3,196
Intangible assets - license (2)(4)	56,000	2,160	1,817	3,654	63,631
Intangible assets - tradenames (2)	4,400	—	—	—	4,400
Intangible assets - customer database (2)	2,100	—	—	—	2,100
Deposits	20	6	—	19	45
Total assets acquired (4)	$ 131,619	$ 5,932	$ 4,982	$ 5,992	$ 148,525
Liabilities Assumed:					
Accounts payable and accrued liabilities	$ 7,004	$ 190	$ —	$ —	$ 7,194
Finance lease obligations	27,052	—	—	2,032	29,084
Operating lease obligations	1,267	1,859	—	—	3,126
Deferred tax liabilities (4)	21,462	648	—	—	22,110
Uncertain tax positions	1,322	1,411	—	—	2,733
Total liabilities assumed (4)	$ 58,107	$ 4,108	$ —	$ 2,032	$ 64,247
Net assets acquired (3)(4)	$ 73,512	$ 1,824	$ 4,982	$ 3,960	$ 84,278
Goodwill (3)(4)	26,086	2,432	—	—	28,518
Total	$ 99,598	$ 4,256	$ 4,982	$ 3,960	$ 112,796
Consideration:					
Consideration paid in cash, as adjusted for working capital adjustments	$ 40,360	$ 1,827	$ 4,949	$ 3,592	$ 50,728
Consideration paid in promissory notes (fair value)	15,345	2,429	—	—	17,774
Consideration paid in shares	35,670	—	—	368	36,038
Contingent consideration	8,223	—	—	—	8,223
Capitalized costs	—	—	33	—	33
Fair value of consideration	$ 99,598	$ 4,256	$ 4,982	$ 3,960	$ 112,796

(1) As part of the OSD and Nature's Remedy acquisition agreements, the sellers contractually agreed to indemnify the Company for certain amounts that may become payable, including for taxes that relate to periods prior to the date of acquisition. Accordingly, the Company recorded indemnification assets and corresponding estimated accrued tax liabilities, at fair value, for a total of $2,733 as of the dates of the acquisitions. Additional subsequent changes in the amounts recognized for the indemnification assets may occur in relation to the provision for the corresponding tax liabilities, according to changes in the range of outcomes or the assumptions used to develop the estimates of the liabilities at the time of the acquisition.

(2) The licenses acquired have indefinite useful lives. The customer relationships have a useful life of 15 years and the tradenames have a useful life of 5 years.

(3) The goodwill recognized from the acquisitions is attributable to synergies expected from integrating the acquired businesses into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

(4) The amounts for the Nature's Remedy and Total columns reflect the revised amounts in connection with the correction of errors disclosed under the heading "Previously Issued Financial Statement Reclassification" in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies. Specifically, intangible assets - license increased by $10,000, goodwill decreased by $7,092, and deferred tax liabilities increased by $2,908.

2021 Business Combinations

Nature's Remedy

In September 2021, the Company acquired 100% of the equity of Nature's Remedy of Massachusetts, Inc. and certain of its affiliates (collectively, "Nature's Remedy"), for upfront consideration comprised of cash, net of working capital adjustments, 8,700,000 SVS (with a grant date fair value of $4.10 each), an $11,500 unsecured three-year note and a $5,000 unsecured five-year note.

Nature's Remedy is a vertically integrated single state operator in Massachusetts and currently operates two retail dispensaries, in Millbury, Massachusetts and Tyngsborough, Massachusetts, and a 50,000 sq. ft. cultivation and production facility in Lakeville, Massachusetts. The goodwill is not tax deductible.

The Company also agreed to issue a $5,000 increase to the principal balance of the three-year note and up to an additional $5,000 in Company SVS upon the occurrence or non-occurrence of certain events after the closing date. The payment of the contingent consideration depends on whether or not a competitor opens a competing dispensary within a certain radius of the Company's dispensary in the Town of Tyngsborough, Massachusetts during the first 12 months following the acquisition (The "First Milestone Period") or during the 18 months following the end of the First Milestone Period. As of the date of acquisition, the Company recognized a contingent consideration liability of $8,223, a Level 3 measurement amount, which was based on the weighted-average probability of the potential outcomes. The estimated range of such additional consideration is between $0 and $10,800 (which also includes the interest on the additional principal for the three-year note). Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred for the business combination. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in Selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

In September 2022, the First Milestone Period was achieved, and therefore the three-year note was amended for an additional face value of $5,000 (discounted value of $4,708) to partially settle the contingent consideration liability. As of December 31, 2022, the remaining contingent consideration liability of $4,793 relates to the 18 months following the end of the First Milestone Period. The Company utilized the cash flows associated with the weighted-average probability of the potential outcomes to determine the potential cash outflows that are short-term vs. long-term. As a result, as of December 31, 2022, the Company classified $3,398 as a short-term contingent consideration liability and $1,395 as a long-term contingent consideration liability.

OSD

In April 2021, the Company acquired 100% of the equity of Organic Solutions of the Desert, LLC ("OSD"), an operating dispensary located in Palm Springs, California, for consideration comprised of cash, as adjusted for working capital adjustments, and $3,100 principal amount of promissory notes. The goodwill is not tax deductible.

2021 Asset Acquisitions

The Company determined that the OhiGrow and Grover Beach (each as defined below) acquisitions described below did not qualify as business combinations because, for OhiGrow, the assets acquired did not constitute a business, and for Grover Beach, under the concentration test, substantially all of the fair value of the acquisition is concentrated in a single identifiable asset – the license.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

OhiGrow

In July 2021, the Company acquired OhiGrow, LLC, a licensed cultivator in Ohio, and Ohio Green Grow LLC (collectively, "OhiGrow"), inclusive of an approximately 10,000 sq. ft. facility and 1.35 acres of land for $4,949 in cash.

Grover Beach

In March 2021, the Company closed on the acquisition of approximately 78% of the equity of a retail license holder located in Grover Beach, California ("Grover Beach") for $3,592 in cash, as adjusted for working capital adjustments, and 49,348 SVS at a fair value of $7.46 per share, with the rights to acquire the remaining equity for one dollar in the future. In September 2022, the Company exercised its rights to acquire the remaining 22%.

2020 Business Combinations and Asset Acquisitions

The Company had the following acquisitions during the year ended December 31, 2020: (i) PAMS; (ii) PADS; (iii) BHILH; (iv) GSG Santa Barbara; and (v) Agape (all defined below).

The following table summarizes the purchase price allocations for the acquisitions completed during the year ended December 31, 2020, as of their respective acquisition dates:

	Business Combinations			Asset Acquisitions		
	PAMS	**PADS**	**BHILH**	**Agape**	**GSG Santa Barbara**	**Total**
Assets Acquired:						
Cash and cash equivalents	$ 118	$ 971	$ 13	$ —	$ —	$ 1,102
Prepaid expenses and other current assets	214	5	84	10	—	313
Accounts receivable	407	—	—	—	—	407
Inventory	4,251	192	100	—	—	4,543
Property, plant and equipment	579	1,075	465	—	—	2,119
Right of use assets - finance leases	15,017	234	466	—	—	15,717
Right of use assets - operating leases	—	310	877	—	—	1,187
Intangible assets - license(s) (1)	19,189	4,182	8,500	7,881	5,328	45,080
Intangible assets - patient/customer database (1)	425	—	—	—	—	425
Deposits	540	15	—	—	—	555
Total assets	$ 40,740	$ 6,984	$ 10,505	$ 7,891	$ 5,328	$ 71,448
Liabilities Assumed:						
Accounts payable, accrued expenses and other current liabilities	$ 335	$ 156	$ 585	$ —	$ —	$ 1,076
Note payable	—	—	—	90	—	90
Finance lease obligations	17,013	230	465	—	—	17,708
Operating lease obligations	—	310	877	—	—	1,187
Deferred tax liabilities	1,410	—	—	—	—	1,410
Total liabilities	$ 18,758	$ 696	$ 1,927	$ 90	$ —	$ 21,471
Net assets acquired	$ 21,982	$ 6,288	$ 8,578	$ 7,801	$ 5,328	$ 49,977
Non-controlling interests	—	—	(4,661)	(1,560)	—	(6,221)

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Business Combinations			Asset Acquisitions		
	PAMS	PADS	BHILH	Agape	GSG Santa Barbara	Total
Total net assets acquired net of non-controlling interest	$ 21,982	$ 6,288	$ 3,917	$ 6,241	$ 5,328	$ 43,756
Consideration:						
Consideration paid in cash, as adjusted for working capital adjustments [(2)]	$ 15,054	$ 5,671	$ 2,692	$ 3,050	$ 4,900	$ 31,367
Capitalized acquisition costs	—	—	—	191	428	619
Fair value of PADS purchase option	—	1,992	—	—	—	1,992
Consideration paid in 10% senior notes [(3)]	—	—	—	1,476	—	1,476
Consideration paid in warrants [(3)]	—	—	—	524	—	524
Consideration paid in promissory notes (net of discount)	2,658	—	—	—	—	2,658
Assumption of Beacon Notes and accrued interest	—	—	9,555	—	—	9,555
Net effect of other related transactions	—	—	(15,740)	—	—	(15,740)
Consideration paid in shares	—	—	—	1,000	—	1,000
Fair value of consideration	$ 17,712	$ 7,663	$ (3,493)	$ 6,241	$ 5,328	$ 33,451
Goodwill [(4)]	$ —	$ 1,375	$ —	$ —	$ —	$ 1,375
Bargain purchase on business combination [(5)]	4,270	—	7,410	—	—	11,680
Total	$ 21,982	$ 6,288	$ 3,917	$ 6,241	$ 5,328	$ 43,756

(1) The licenses acquired have indefinite useful lives. The patient/customer related intangible assets have estimated useful lives of 0.25 - 5 years.

(2) Cash paid for acquisitions includes $2,320 that was paid during prior years and was previously included in deferred acquisition costs as of December 31, 2019.

(3) The consideration for the Agape acquisition included 10% senior notes amounting to $2,000 principal, and related warrants to purchase 633,433 Subordinate Voting Shares with a $1.25 strike price; and 769,231 Subordinate Voting Shares at a closing date market price of $1.30 per share. Refer to "Senior Notes" in Note 12 - Debt and to Note 14 - Derivative Liabilities for additional details on the 10% senior secured notes and warrants.

(4) The goodwill recognized from the acquisitions is attributable to synergies expected from integrating the acquired businesses into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

(5) The bargain purchase gain for BHILH was reduced by asset disposal and other charges of $1,531 to arrive at the total net gain on business combination. The net gains on business combinations are included in other income (expense), net in the consolidated statements of operations and comprehensive income (loss). The asset disposal and other adjustments, were comprised of net write-offs/impairments of $1,681 reflecting the excess of the carrying amounts over the estimated fair values of intangible assets returned to TGS (included as other consideration in the TGS Transaction), offset by other adjustments of $150.

2020 Business Combinations

PAMS

On August 11, 2020, the Company closed on the acquisition of 100% of the equity of Pennsylvania Medical Solutions, LLC, a Pennsylvania grower-processor ("PAMS"). The acquisition increased the Company's presence in Pennsylvania and expanded its supply of cannabis to the BEYOND/HELLO™ retail stores. The Company purchased PAMS at a favorable price due to the seller's financial condition and limited sources of funding, which resulted in a bargain purchase gain which is reflected in other income (expense), net in the consolidated statements of operations and comprehensive income (loss). Prior to closing, in July 2020, the Company entered into an agreement to loan $3,000 to the previous owner of PAMS, which was secured by a first priority lien on, and continuing security interest in Pennsylvania Dispensary

Solutions, LLC ("PADS"). The loan bore interest at 12% and the $3,000 was included at closing in the cash purchase price.

PADS

At the time of the PAMS acquisition, as part of the agreements with Vireo Health, Inc ("Vireo"), the seller of PAMS, Jushi received an assignable purchase option ("PADS Purchase Option") to acquire 100% of the equity of PADS. The PADS Purchase Option had an expiration date of 18 months from closing, and was subject to certain customary closing conditions, including approvals from all applicable regulatory authorities. On November 13, 2020, the Company exercised the PADS Purchase Option and on December 18, 2020, the Company closed on the purchase of 100% of the equity interests of PADS from Vireo. PADS increased the Company's retail footprint in Pennsylvania, where PADS is a medical marijuana dispensary permit holder with two dispensaries operating in Bethlehem and Scranton. The cash consideration allocated to the PADS Purchase Option was $1,553 (included in other investing activities in the consolidated statements of cash flows for the year ended December 31, 2020) based on the relative fair values of the net assets acquired in the PAMS acquisition and the PADS Purchase Option as of August 11, 2020. The difference between the purchase price allocated to the PADS Purchase Option and its fair value at the time of its exercise was a gain of $440 and is included in other income (expense), net in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2020.

TGS Transaction - Beyond Hello IL Holdings, LLC ("BHILH") (f/k/a TGS Illinois Holdings LLC ("TGSIH"))

On January 29, 2020, the Company acquired an approximately 75% interest in TGS Illinois Holdings LLC (currently known as Beyond Hello IL Holdings, LLC) (the "TGS Transaction"), and became the owner of two medical cannabis dispensaries in Illinois - one in Sauget, and one in Normal, with each dispensary eligible to seek approval from the Illinois Department of Financial & Professional Regulation to open a second retail location. On April 22, 2020, the names of TGS Illinois Holdings LLC and TGS Illinois, LLC, were changed to Beyond Hello IL Holdings, LLC, and Beyond Hello IL, LLC, respectively. Each change was approved by the State of Illinois.

Due to legalization of adult-use cannabis in the state of Illinois which became effective January 1, 2020, the purchase of BHILH resulted in a bargain purchase gain. The bargain purchase gain is reflected in other income (expense), net in the consolidated statements of operations and comprehensive income (loss).

The fair value of the non-controlling interests was based on the fair value of the consideration paid to purchase the non-controlling interests (the "TGSIH NCI Transaction"). Refer to Note 17 - Non-Controlling Interests.

The TGSIH acquisition was a part of a series of transactions under a favorable 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 $12,000 in TGS debt including interest and expenses relating to the debt (see below); (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 Subordinate Voting Shares of Jushi Holdings, Inc. and warrants with an exercise price of $2.00 to purchase 2,500,000 Subordinate Voting Shares of Jushi Holdings, Inc. which were issued in connection with the 2018 purchase of TGS National; and (5) the transfer to Jushi Inc of 416,060 common shares of Organigram, Inc. ("OGI") and cash from the liquidation of certain options to purchase common shares of OGI.

The approximately $12,000 in TGS debt noted above includes approximately $2,442 of debt payable to a third party and interest paid off by the Company, which was included in the cash paid at closing, and $9,555 of debt which was negotiated with the holder to be exchanged for Jushi Holdings Inc. Senior Notes and warrants. The $9,555 was comprised of secured notes of an affiliate of TGS, Beacon Holding, LLC (the "Beacon Notes"), plus unpaid accrued interest. The carrying amount of the debt and unpaid accrued interest approximated the fair value. Refer to “Senior Notes” in Note 12 - Debt for further details on the Company’s Senior Notes and the related warrants.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

The net effect of other related transactions from the TGS Transaction, as reflected in the purchase price allocation table above, was comprised of the following:

Redemption Liability cancelled	$	8,440
5,000,000 Subordinate Voting Shares of Jushi Holdings, Inc. and warrants with an exercise price of $2.00 to purchase 2,500,000 Subordinate Voting Shares of Jushi Holdings, Inc. returned to Jushi		7,075
416,060 common shares of OGI		1,092
Payment to Jushi for the OGI options that were liquidated		478
TGS National fair value of intangibles, net of other items returned and derecognized (1)(2)		(918)
TGS National cash given up		(427)
Net effect of other related transactions	$	15,740

(1) The difference of $1,748, net of other adjustments of $217, between the carrying amount of the disposed intangibles of $2,666 (refer to Note 8 - Goodwill and Other Intangible Assets) and the fair value above of $918 was a total of $1,531 and is included in net gains on business combinations in the consolidated statements of operations and comprehensive income (loss).

(2) No goodwill associated with TGS National was written off as a result of this transaction in 2020, since the Company had previously recognized an impairment loss of $8,990 in 2018 related to the total goodwill associated with the original acquisition of TGS National.

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 (market price); 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 TGS National net assets returned consisted primarily of cash and intangibles. The fair value of the intangibles returned was calculated using a discounted cash flow model using a discount rate of 12%, a growth rate of zero, and estimated useful lives ranging from 9 - 11 years.

Redemption Liability

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 consideration to be paid for this purchase option (the “Redemption Liability”) was $8,500. As a result of the TGS Transaction, the Redemption Liability was cancelled.

The Redemption Liability was initially recorded at fair value and was estimated using the present value of the estimated future purchase price and was therefore considered to be a Level 3 measurement. The adjusted present value of the Redemption Liability was $8,440 as of the date of the TGS Transaction in 2020. The total change in the redemption liability for the year ended December 31, 2020 was insignificant.

2020 Asset Acquisitions

The Company determined that The GSC Santa Barbara and Agape acquisitions below did not qualify as business combinations under ASC 805 Business Combinations, because the assets acquired did not constitute a business, as substantially all of the fair value of each of the acquisitions is concentrated in a single identifiable asset – the license.

GSG Santa Barbara

On July 24, 2020, the Company closed on the acquisition of 100% of the equity of GSG SBCA, Inc. (“GSG Santa Barbara”), a non-operating provisionally licensed Santa Barbara, California dispensary operator for a total purchase price of $4,900 in cash, of which $2,250 was paid in the prior year. The GSG Santa Barbara dispensary commenced retail operations on October 14, 2020.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Agape

On June 25, 2020, the Company closed on the acquisition of 80% of the economic and voting interests in Agape Total Health Care Inc ("Agape"), a Pennsylvania Dispensary Permittee, for consideration in cash and shares.

Business Combinations - Acquisition and Deal Costs

For the year ended December 31, 2022, 2021 and 2020 acquisition and deal costs totaled $1,204, $350 and $502, respectively, and are included within the selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). The remaining acquisition and deal costs included in selling, general and administrative expenses were incurred either for acquisitions not completed or not expected to be completed.

Business Combinations Acquisition Results and Unaudited Supplemental Pro Forma Financial Information

The following table summarizes unaudited consolidated pro forma revenue and unaudited consolidated pro forma net income (loss) as if the business combinations had occurred at the beginning of the year prior to their actual acquisition for the periods presented:

	Year Ended December 31,		
	2022	2021	2020
Revenue	$ 293,947	$ 284,026	$ 149,539
Net (loss) income	$ (197,743)	$ 20,681	$ (228,501)

These unaudited pro forma financial results do not purport to be indicative of the actual results that would have been achieved by the combined companies for the years indicated, or of the results that may be achieved by the combined companies in the future. These amounts have been calculated using actual results and adding unaudited pre-acquisition results, after adjusting for: acquisition costs, additional depreciation and amortization from acquired property, plant and equipment and intangible assets, as well as adjustments for incremental interest expense relating to consideration paid, and changes to conform to the Company's accounting policies.

The results of the 2022, 2021 and 2020 acquisitions are included in the Company's results since their respective acquisition dates. For the year ended December 31, 2022, in the aggregate, the 2022 acquisitions contributed revenues of $28,912 and net loss of $43,603 to the Company's consolidated results. For the year ended December 31, 2021, in the aggregate, the 2021 acquisitions contributed revenues of $15,107 and net loss of $1,120 to the Company's consolidated results. For the December 31, 2020, in the aggregate, the 2020 acquisitions contributed revenues of $36,364 and net income of $7,667 to the Company's consolidated results.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill, carrying amount, as of January 1, 2021	$ 19,093
Additions from acquisitions	28,518
Impairment	(1,783)
Goodwill, carrying amount, as of December 31, 2021	$ 45,828
Additions from acquisitions, including reclassification of $254	35,480
Impairment	(39,643)
Measurement period adjustment	(3,426)
Goodwill, carrying amount, as of December 31, 2022	$ 38,239

Other Intangible Assets

The components of other intangible assets are as follows:

	As of December 31,		Estimated Useful Life
	2022	2021	
Licenses	$ 82,401	$ 174,662	Indefinite
Intellectual Property	9,580	9,580	10 years
Tradenames	12,800	10,200	1 - 15 years
Patient/Customer database	3,195	2,795	5 - 10 years
Non-compete	155	155	3 years
Website development	61	61	3 years
Formulations	50	50	Indefinite
Total gross amount	$ 108,242	$ 197,503	
Less: Accumulated Amortization	(8,160)	(5,037)	
Other Intangible Assets, net	$ 100,082	$ 192,466	

Amortization expense for the years ended December 31, 2022, 2021 and 2020 was $3,123, $1,977 and $2,202, respectively, and is included in operating expenses in the consolidated statements of operations and comprehensive income (loss). For the years ended December 31, 2022, and 2021, all additions to intangible assets were from acquisitions.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

The estimated future annual amortization expense related to intangible assets as of December 31, 2022 are as follows:

2023	$ 3,237
2024	3,214
2025	3,182
2026	2,911
2027	1,912
Thereafter	3,175
Total estimated future amortization expense	$ 17,631

Impairment of Goodwill and Other intangible assets

2022 Impairments

During the year ended December 31, 2022, management determined that the Company's goodwill and certain intangible assets in California, Massachusetts, Nevada, Ohio, and Pennsylvania were impaired due to the Company's lower than expected operating results, driven in part by significant price compression and the overall economy in the respective state. The Company utilized a combination of the income approach (discounted cash flow method) and market approach (a combination of the guideline transactions method and guideline company method) for its impairment test for each state, resulting in goodwill and intangible impairment charges reflected below. The goodwill and intangible asset impairment is recorded within operating expenses in the consolidated statements of operations and comprehensive income (loss).

	Year Ended December 31, 2022		Key Assumptions			
State	Goodwill Impairment	Intangible Asset Impairment	Perpetual Growth Rate	Discount Rate	Weighted Average Cost of Capital	Cash Flow Forecast
California	$ 2,432	$ 10,142	2%	22.5%	21.5%	5 years
Massachusetts	12,231	37,954	2%	21.0%	20.0%	5 years
Nevada	24,980	22,150	2%	21.0%	20.0%	5 years
Ohio	—	5,317	2%	24.5%	23.5%	5 years
Pennsylvania	—	35,952	2%	22.0%	21.0%	5 years
	$ 39,643	$ 111,515				

2021 Impairments

Nevada

During the year ended December 31, 2021, management determined that the lower than expected operating results of the Company's Nevada operations was an indicator of impairment. The Company utilized the discounted cash flow method for its impairment test, and as a result, recorded a goodwill impairment charge of $1,783. The key inputs and assumptions used in the fair valuation of Nevada include: (i) a five-year cash flow forecast, which is based on the Company's actual operating results and business plans; (ii) a perpetual growth rate of 3%; and (iii) an estimated discount rate of 16.5%. The goodwill impairment is recorded within operating expenses in the consolidated statements of operations and comprehensive income (loss).

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

9. OTHER NON-CURRENT ASSETS

The components of other non-current assets are as follows:

	As of December 31,	
	2022	2021
Operating lease assets	$ 16,244	$ 17,288
Indemnification assets [1]	8,198	2,733
Deposits and escrows - properties	1,637	1,343
Equity investment [2]	977	1,500
Deposits - equipment	484	4,315
Other	703	407
Total other non-current assets	$ 28,243	$ 27,586

(1) Refer to footnotes (1) under the 2022 and 2021 acquisition tables in Note 7 - Acquisitions for additional information.

(2) The Company owns a 23.08% ownership interest in PV Culver City, LLC ("PVLLC"). The Company does not have significant influence over, and the Company does not have the right to vote or participate in the management of the PVLLC and therefore the investment is measured at its fair value. Refer to Note 23 - Financial Instruments for more information relating to the fair value of this equity investment as of December 31, 2022.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The components of accrued expenses and other current liabilities are as follows:

	As of December 31,	
	2022	2021
Goods received not invoiced	$ 11,620	$ 8,007
Accrued capital expenditures	5,603	12,474
Accrued employee related expenses and liabilities	6,030	6,062
Contingent consideration liabilities - current portion[1]	3,398	—
Operating lease obligations - current portion	2,652	2,745
Accrued interest	2,388	1,181
Accrued sales and excise taxes	1,931	2,535
Deferred revenue (loyalty program)	1,870	1,427
Accrued professional and management fees	1,481	5,139
Other accrued expenses and current liabilities	9,356	8,402
Total	$ 46,329	$ 47,972

(1) Refer to Note 7 - Acquisitions.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

11. OTHER NON-CURRENT LIABILITIES

The components of accrued expenses and other current liabilities are as follows:

	As of December 31, 2022	As of December 31, 2021
Operating lease liabilities	$ 15,547	$ 15,163
Contingent consideration liabilities	1,395	8,223
Other non-current liabilities	4,613	3,173
Total	$ 21,555	$ 26,559

12. DEBT

The components of the Company's debt are as follows:

	Effective Interest Rate	Contractual Maturity Date	As of December 31, 2022	As of December 31, 2021
Principal amounts:				
Second Lien Notes	15%	December 2026	$ 73,182	$ —
Senior Notes	N/A	N/A	—	75,193
Acquisition Facility	15%	December 2024	65,000	40,000
Acquisition-related promissory notes payable	8% - 18%	August 2024 - April 2027	57,216	25,767
Other debt [(1)]	7% - 9%	March 2022 - July 2027	10,960	8,555
Total debt - principal amounts			$ 206,358	$ 149,515
Less: debt issuance costs and original issue discounts			(17,096)	(23,536)
Total debt - carrying amounts			$ 189,262	$ 125,979
Debt, net - current portion			$ 8,704	$ 6,181
Debt, net - non-current portion			$ 180,558	$ 119,798

(1) Includes Jushi Europe debt. Refer to Note 17 - Non-Controlling Interests.

As of December 31, 2022, aggregate future contractual maturities of the Company's debt are as follows:

	2023	2024	2025	2026	2027	Total
Second Lien Notes	$ —	$ —	$ —	$ 73,182	$ —	$ 73,182
Acquisition Facility	4,875	60,125	—	—	—	65,000
Acquisition-related promissory notes payable	3,448	22,385	1,970	6,971	22,442	57,216
Other debt	3,386	137	148	158	7,131	10,960
Total	$ 11,709	$ 82,647	$ 2,118	$ 80,311	$ 29,573	$ 206,358

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Interest expense, net is comprised of the following:

	Year Ended December 31,		
	2022	2021	2020
Interest and accretion - Senior Notes	$ 23,268	$ 19,257	$ 12,095
Interest and accretion - Second Lien Notes	578	—	—
Interest - Finance lease liabilities	11,154	9,158	2,451
Interest and accretion - Acquisition Facility	7,264	1,106	—
Interest and accretion - Promissory notes	5,518	1,802	1,903
Interest and accretion - Other debt	567	507	189
Capitalized interest	(2,616)	(977)	(1,074)
Total interest expense	$ 45,733	$ 30,853	$ 15,564
Interest income	$ (142)	$ (243)	$ (231)
Total interest expense, net	$ 45,591	$ 30,610	$ 15,333

Second Lien Notes

In December 2022, the Company issued Second Lien Notes in an aggregate amount of $73,061, of which the Company received cash proceeds of $31,594 and the remaining $41,467 was settled without the need for any transfers of cash between the Company and certain holders of Senior Notes that elected to purchase Second Lien Notes from the Company in accordance with certain Funding and Settlement Facilitation Agreements (“Facilitation Agreements”). The Facilitation Agreements provided for the Company and purchasers of Second Lien Notes who were also holders of Senior Notes to settle the amount owed to each such purchaser pursuant to the redemption of such purchaser’s Senior Notes against the amount of Second Lien Notes purchased by such purchaser without the need for any transfers of cash. The Second Lien Notes mature on December 7, 2026, and bear interest at 12.0% per annum, payable in cash quarterly.

Additionally, the Company issued 17,512,280 four-year warrants to purchase Subordinate Voting Shares of the Company (the “Warrants”). Each purchaser of the Second Lien Notes received Warrants at 50% coverage of the principal amount of such purchaser’s Second Lien Notes divided by the strike price of $2.086 per share. The Warrants were issued by the Company in connection with, but were detached from, the Company’s issuance of the Second Lien Notes. Refer to Note 14 - Derivative Liabilities for additional information.

Senior Notes

In December 2022, the Company redeemed all its outstanding Senior Notes in the amount of $74,935, of which $33,468 was redeemed via cash payment by the Company and the remaining $41,467 was redeemed via the execution of Funding and Settlement Facilitation agreements (non-cash payment) between the Company and certain holders of the Senior Notes who also elected to purchase Second Lien Notes from the Company. See the “Second Lien Notes” section above for more information on holders of Senior Notes that elected to purchase Second Lien Notes from the Company. The redemption of the Senior Notes was accounted for as a debt extinguishment, and resulted in the Company recording a non-cash loss on debt extinguishment of $18,858, which represents the difference between the reacquisition price of the Senior Notes and the net carrying amount of the Senior Notes prior to redemption.

Acquisition Facility

In October 2021 (the "Closing Date"), the Company entered into definitive documentation in respect of a $100,000 Senior Secured Credit Facility (the "Acquisition Facility") from Roxbury, LP, a portfolio company of SunStream Bancorp Inc., which is a joint venture sponsored by Sundial Growers Inc. The Company is permitted to borrow amounts under the Acquisition Facility for potential strategic expansion opportunities in both its core and developing markets. After being drawn, loans issued under the Acquisition Facility bear an interest rate of 9.5% per annum, payable quarterly, and will mature five years from the Closing Date. Subject to the approval of the Agent's investment committee and other conditions, including pro forma compliance with certain financial covenants (further defined below) at the time of borrowing, the Company will be able to make draws under the facility until the 18- month anniversary of the Closing Date (the "Draw Period"), and will have a two-year interest-only period before partial amortization begins on a quarterly basis. Interest are payable on the first business day of each calendar quarter. The Company also may increase the total commitment of the Acquisition Facility by an aggregate amount of up to $25,000, subject to certain conditions (the "Accordion"). The Acquisition Facility is secured by a first lien over certain Company assets and on a pari passu basis with the collateral securing the indebtedness of the Company evidence by the Senior Notes. The Company recorded original discount of $1,701, which included debt issuance costs of $721.

During the Draw Period, a standby fee of 2.25% per annum of the undrawn amount of the Acquisition Facility minus the sum of the daily average of the outstanding amount of the Acquisition Facility for the preceding calendar quarter shall be paid quarterly, in arrears, on the first business day of each calendar quarter. The standby fee drops to 1.5% on the date the existing 10% Senior Notes mature or are refinanced. An exit fee of 1.5% of the original term loan amount of $100,000 shall be paid upon the earliest of the maturity date, any repayment of the principal balance of the term loans or the occurrence of an event of default. In the event the existing Senior Notes mature or are refinanced, no exit fee is owed by the Company to the lenders. In the event the Company wishes to refinance the Senior Notes, lenders have a right of first refusal to contribute up to 50% of the amount used to refinance the Senior Notes.

In October 2021, the Company drew down $40,000 from the Acquisition Facility to fund the cash portion of the acquisition of Nature's Remedy. As of December 31, 2021, the Company had approximately $60,000 of availability under the Acquisition Facility (excluding the Accordion).

In April 2022, the Company drew down $25,000 from the Acquisition Facility to fund the cash portions of the NuLeaf and Apothecarium acquisitions, and the Company entered into an amendment to the Acquisition Facility pursuant to which: (i) the commencement of leverage testing was pushed back by four quarters, (ii) certain leverage ratios were revised; and (iii) the Company may proceed with a reorganization pursuant to a petition for bankruptcy in Switzerland with respect to Jushi Europe without potentially defaulting under the Acquisition Facility. Refer to Note 17 - Non-Controlling Interests for additional information on Jushi Europe.

In December 2022, the Company entered into a second amendment to the Acquisition Facility pursuant to which: (i) the interest rate was increased to 11% per annum; (ii) the maximum borrowings capped at $65,000 with the removal of the standby fee; (iii) the maturity date was amended to December 31, 2024; and (iv) the total leverage ratio covenant was removed and replaced with a minimum quarterly revenue covenant.

As of December 31, 2022, and 2021, unamortized discount was $4,363 and $1,628, respectively. Beginning July 2023, the Company is to make quarterly payment of $2,438 on the first business day of each calendar quarter with a final payment $50,375 at maturity date.

The Acquisition Facility contains certain financial and other covenants with which the Company is required to comply. As of December 31, 2022, the Company was in compliance with its financial covenants related to minimum (i) unrestricted cash and cash equivalents balance requirement of $6,500 and (ii) minimum quarterly revenue requirement of $50,000. Subsequent to year end December 31, 2022, on February 24, 2023 and February 27, 2023, the Company was non-compliant with an affirmative covenant relating to a minimum cash deposit requirement in a specified bank account. The Company also anticipated not being able to provide a certification to the lender in connection with its annual financial statements that the audit report did not contain a going concern qualification. The Company received waivers for these two instances on April 17, 2023.

Acquisition-related promissory notes payable issuance and conversion in 2022 and 2021

Apothecarium

In March 2022, in connection with the Apothecarium acquisition, the Company issued to the seller two unsecured promissory notes with a total principal amount of $9,853, with no stated interest and both maturing in March 2027. The promissory notes provide for a principal payment of $3,448 on the 21st month anniversary, followed by 39 equal monthly payments for the remaining balance.

NuLeaf

In April 2022, in connection with the NuLeaf acquisition, the Company issued to the seller unsecured promissory notes with an aggregate total principal amount of $15,750 with a stated interest rate of 8% and maturity date in April 2027. The promissory notes provide for a full principal payment on the maturity date. Additionally, in July 2022, the Company amended the five-year note for an additional principal amount of $3,000 to settle the contingent consideration associated with the acquisition. There were no changes to the interest rate and maturity date of the five-year note at such time.

Nature's Remedy

In September 2021, in connection with the Nature's Remedy acquisition, the Company issued a principal amount $11,500, 8% unsecured three-year note maturing September 10, 2024 and a $5,000 8% unsecured five-year note maturing September 10, 2026 to the seller. The promissory notes provide for cash interest payments to be made quarterly and all principal and accrued and unpaid interest are due at their respective maturities. In September 2022, the Company amended the three-year note for an additional principal amount of $5,000 in settlement of a contingent consideration liability for the First Milestone Period in connection with the September 2021 acquisition of Nature's Remedy. Refer to Note 7 - Acquisitions and Note 25 - Subsequent Events for more information.

Dalitso

In November 2022, the Company issued 910,000 SVS to settle the outstanding balance relating to a $2,412 unsecured convertible promissory note. Refer to Note 17 - Non-Controlling Interests for additional information.

OSD

In April 2021, in connection with the OSD acquisition, the Company issued a principal amount $3,100, 4% secured promissory note to the seller. The promissory note matures on April 30, 2027 and interest is payable quarterly. The note is secured by the equity of OSD. Pursuant to the terms of the OSD acquisition, indemnification obligations of the seller may be offset against this promissory note in the future if the Company makes a claim for such indemnification and such right of offset. Refer to Note 7 - Acquisitions.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Other Debt issuance in 2022 and 2021

Dickson Facility

In July 2022, the Company entered into a $2,800 credit facility with a bank to fund the construction of a dispensary in Dickson City, Pennsylvania. As of December 31, 2022, the Company had drawn down the full amount. This credit facility, which matures on July 18, 2027, bears interest at a variable rate equal to prime rate plus 2%. The interest rate as of December 31, 2022 was 9.0%.

The Dickson Facility contains certain financial and other covenants with which the Company is required to comply. As of December 31, 2022, the Company was in compliance with all financial covenants contained in the Dickson Facility.

Arlington Facility

In November 2021, the Company closed on the purchase of a property in Arlington, Virginia, for $7,000. On December 28, 2021, the Company entered into $6,900 credit facility ("Arlington Facility") with a bank to refinance the purchase. As of December 31, 2022 and 2021, the Company had drawn down $5,000 and the Company had $1,900 of remaining availability under the Arlington Facility, which was drawn down in January 2023. The Arlington Facility bears a fixed interest rate of 5.875% per annum payable monthly and will mature on January 1, 2027.

The Arlington Facility contains certain financial and other covenants with which the Company is required to comply. As of December 31, 2022, the Company was in compliance with all financial covenants contained in the Arlington Facility.

13. LEASES

The Company leases certain business facilities for corporate, retail and cultivation operations from third parties under lease agreements that specify minimum rentals. In addition, the Company leases certain equipment for use in cultivation and extraction activities. The Company determines whether a contract is or contains a lease at the inception of the contract. The expiry dates of the leases, including reasonably certain estimated renewal periods, are between 2023 and 2052. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table provides the components of lease cost recognized in the consolidated statements of operations and comprehensive income (loss) for the periods presented.

	Year Ended December 31,		
	2022	2021	2020
Operating lease cost	$ 3,402	$ 2,585	$ 1,555
Finance lease cost:			
Amortization of lease assets	5,422	3,155	706
Interest on lease liabilities	11,154	9,158	2,447
Total finance lease cost	$ 16,576	$ 12,313	$ 3,153
Variable lease cost	$ 390	$ 355	$ 34
Total lease cost	$ 20,368	$ 15,253	$ 4,742

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.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Other information related to operating and finance leases as of the balance sheet dates presented are as follows:

	As of December 31, 2022		As of December 31, 2021	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Weighted average discount rate	11.23 %	11.51 %	11.75 %	11.50 %
Weighted average remaining lease term (in years)	22.7	14.1	22.6	14.6
Cash paid for amounts included in the measurement of lease liabilities	$ 11,629	$ 3,133	$ 7,805	$ 2,080

The maturities of the contractual undiscounted lease liabilities as of December 31, 2022 are as follows:

	Finance Leases	Operating Leases
2023	$ 12,092	$ 2,876
2024	13,274	2,938
2025	13,202	2,759
2026	13,196	2,526
2027	12,876	2,499
Thereafter	278,746	26,582
Total undiscounted lease liabilities	$ 343,386	$ 40,180
Interest on lease liabilities	(229,650)	(21,981)
Total present value of minimum lease payments	$ 113,736	$ 18,199
Lease liabilities - current portion	$ 11,361	$ 2,652
Lease liabilities - non-current	$ 102,375	$ 15,547

14. DERIVATIVE LIABILITIES

The continuities of the Company's derivative liabilities are as follows:

	Total Derivative Liabilities (1)(4)
Carrying amounts as of January 1, 2021	$ 205,361
Fair value changes (2)	(105,170)
Derivative Warrants exercised and settled	(7,756)
Carrying amounts as of December 31, 2021 (4)	$ 92,435
Derivative Warrants issued (3)	23,205
Fair value changes (2)	(91,887)
Derivative Warrants exercised and settled (5)	(9,619)
Carrying amounts as of December 31, 2022	$ 14,134

(1) Refer to Note 15 - Equity for the continuity of the number of these warrants outstanding.
(2) Included in other income (expense), net in the consolidated statements of operations and comprehensive income (loss).
(3) Includes fair value of 17,512,280 derivative warrants issued in connection with the Second Lien Notes issuance in December 2022, and 2,000,000 derivative warrants issued relating to the second amendment of the Acquisition Facility in December 2022.
(4) Includes mandatory prepayment option on the Senior Notes, which had a fair value of $174 as of December 31, 2021.
(5) Includes mandatory prepayment option on the Senior Notes of $218, which was settled in December 2022 with the Company's redemption of the Senior Notes.

The Company's derivative liabilities are primarily comprised of derivative warrants ("Derivative Warrants"). These are warrants to purchase SVS of the Company which were issued in connection with: (i) the Senior Notes, and have an expiration date of December 23, 2024 and an exercise price of US$1.25; and (ii) the Second Lien Notes and Acquisition

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Facility second amendment, and have an expiration date of December 7, 2026 and an exercise price of $2.086 per share (refer to Note 12 - Debt for additional information). The Derivative Warrants may be net share settled. As of December 31, 2022 and 2021, there were 55,375,202 and 40,124,355 Derivative Warrants outstanding, respectively.

These Derivative Warrants were considered derivative financial liabilities measured at fair value with all gains or losses recognized in profit or loss as the settlement amount for the Derivative Warrants may be adjusted during certain periods for variables that are not inputs to standard pricing models for forward or option equity contracts, i.e., the "fixed for fixed" criteria under ASC 815-40. The estimated fair value of the Derivative Warrants is measured at the end of each reporting period and an adjustment is reflected in fair value changes in derivatives in the consolidated statements of operations and comprehensive (loss) income. These are Level 3 recurring fair value measurements. The estimated fair value of the Derivative Warrants was determined using the (i) Black-Scholes model with stock price based on the OTCQX closing price of the Derivative Warrants issue date in December 2022 and as of December 31, 2022, and (ii) Monte Carlo simulation model with stock price based on the OTCQX closing price as of December 31, 2021. The assumptions used in the fair value calculations as of the balance sheet dates presented include the following:

	December 2022 (New Issuances)	As of December 31,	
		2022	2021
Stock price per share	$1.12 - $2.06	$0.76	$3.25
Risk-free annual interest rate	3.76% - 3.91%	3.99% - 4.11%	0.97%
Exercise price	$2.086	$1.25 - $2.086	$0.04 - $1.25
Weighted average volatility	77%	79%	73%
Remaining life	4 years	1.98 - 3.96 years	3 years
Forfeiture rate	0%	0%	0%
Expected annual dividend yield	0%	0%	0%

Volatility was estimated by using a weighting of the Company's historical volatility and the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The risk-free interest rate for the expected life of the Derivative Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term. 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 or significant increase or decrease in the estimated fair value of the derivative liability. For example, the following table illustrates an increase or decrease in certain significant assumptions as of the balance sheet dates:

	As of December 31, 2022			As of December 31, 2021		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price per share	$ 0.76	$ 2,529	$ (2,396)	$ 3.25	$ 12,781	$ (10,834)
Volatility	79 %	$ 2,070	$ (2,121)	73 %	$ 4,473	$ (3,210)

15. EQUITY

Authorized, Issued and Outstanding

The authorized share capital of the Company consists of an unlimited number of Preferred Shares, SVS, Multiple Voting Shares, and Super Voting Shares. As of December 31, 2022, the Company had 196,686,372 SVS issued and outstanding and no Preferred Shares, Multiple Voting Shares, or Super Voting Shares issued and outstanding. In August 2021, all of the 149,000 previously issued and outstanding Super Voting Shares and all of the 4,000,000 previously outstanding Multiple Voting Shares were converted into SVS in accordance with their terms as described in Jushi Holdings Inc.'s

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Articles of Incorporation. All previously outstanding warrants to acquire Super Voting Shares and Multiple Voting Shares were also converted into warrants to acquire SVS, without any other amendment to the terms of such warrants.

Private Placements

In January 2022, the Company closed non-brokered private placement offerings for an aggregate 3,717,392 SVS at a price of $3.68 per share to an existing investor group for aggregate gross proceeds to the Company of $13,680.

Warrants

Each warrant entitles the holder to purchase one share of the same class of common share. The following table summarizes the status of our warrants and related transactions for each of the presented years:

	Non-Derivative Warrants	Derivative Warrants	Total Number of Warrants	Weighted - Average Exercise Price Per Warrant	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in Years)
Balance, January 1, 2021 (1)	36,764,244	42,017,892	78,782,136	$ 1.31	$ 358,319	5.3
Granted (2)	300,000	—	300,000	$ 4.18		
Exercised	(7,658,196)	(1,893,537)	(9,551,733)	$ 2.26	$ 31,343	
Cancelled	(250,000)	—	(250,000)	$ 1.50		
Balance, December 31, 2021	29,156,048	40,124,355	69,280,403	$ 1.19	$ 142,791	4.7
Granted (2)(3)	1,600,000	19,512,280	21,112,280	$ 2.06		
Exercised	(82,413)	(4,261,433)	(4,343,846)	$ 1.26	$ 9,746	
Balance, December 31, 2022	30,673,635	55,375,202	86,048,837	$ 1.40	$ 1,081	3.9
Exercisable, December 31, 2022	28,323,635	55,375,202	83,698,837	$ 1.38	$ 1,081	3.9

(1) Total number of outstanding warrants reflects the conversion of warrants to acquire Super Voting Shares and Multi-Voting shares into warrants to acquire Subordinate Voting Shares.

(2) The non-derivative warrants were issued for consulting or other services, therefore, these compensatory warrants are accounted for as share-based payment arrangements.

(3) Derivative warrants were issued to the Second Lien Notes Holders and the Acquisition Facility Lender. Refer to Note 14 - Derivative Liabilities for more information.

The grant date fair value of the non-derivative warrants issued was determined using the Black-Scholes option-pricing model. The following assumptions were used for the calculations at date of issuance.

	Year Ended December 31,		
	2022	2021	2020
Weighted average stock price	$1.74	$4.18	$2.08
Weighted average expected stock price volatility	81%	73%	81%
Expected annual dividend yield	—%	—%	—%
Weighted average expected life of warrants	5.0 years	3.5 years	2.7 years
Weighted average risk-free annual interest rate	3.48%	1.06%	0.35%
Weighted average grant date fair value	$1.13	$2.14	$1.00

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Share-based payment award plans

Plan summary and description

The Company's 2019 Equity Incentive Plan (the "2019 Plan") was initially adopted in April 2019, and was amended in June 2022. The 2019 Plan is administered by the Board of Directors, who have delegated to the Compensation Committee the ability to grant awards with Board of Directors' review for directors and officers.

The purpose of the 2019 Plan is to: (i) promote and retain employees, directors and consultants capable of assuring our future success; (ii) motivate management to achieve long-range goals; and (iii) to provide compensation and opportunities for ownership and alignment of interests with shareholders. The 2019 Plan permits the grant of: (i) Stock Options; (ii) Restricted Stock Awards; (iii) Restricted Stock Units; (iv) Stock Appreciation Rights; and (v) Other Awards. Any of the Company's employees, officers, directors, and consultants are eligible to participate (each a Participant) in the 2019 Plan if selected by the board of directors or the Compensation Committee. The basis of participation of an eligible recipient of an Award under the 2019 Plan, and the type and amount of any Award that an individual will be entitled to receive under the 2019 Plan, will be determined by board of directors and/or Compensation Committee. The Board may suspend or terminate the 2019 Plan at any time.

The Plan authorizes the issuance of up to 15% (plus an additional 2% inducements for hiring employees and senior management) of the number of outstanding shares of common stock (of all classes) of the Company (the "Share Reserve"). Incentive stock options are limited to the Share Reserve, and the maximum number of incentive awards available for issuance under the 2019 Plan, including additional awards available for certain new hires, was 1,549,777 as of December 31, 2022.

Stock Options

The stock options issued by the Company are options to purchase SVS of the Company. All stock options issued have been issued to directors and employees under the Company's 2019 Plan. The following table summarizes the status of the Company's options and related transactions for each of the presented years:

	Stock Options	Weighted Average Exercise Price per Stock Options	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in Years)
Balance, January 1, 2021	9,573,834	$ 2.00	$ 36,909	8.4
Granted	11,486,952	$ 4.16		
Exercised	(291,664)	$ 1.90	$ 881	
Forfeited/expired	(340,002)	$ 3.23		
Balance, December 31, 2021	20,429,120	$ 3.20	$ 11,583	8.7
Granted	13,686,806	$ 1.95		
Exercised	(324,998)	$ 1.67	$ 620	
Forfeited/expired	(3,038,669)	$ 4.02		
Balance, December 31, 2022	30,752,259	$ 2.58	$ —	8.5
Exercisable, December 31, 2022	12,166,594	$ 2.46	$ —	7.2

The fair value of the stock options granted was determined using the Black-Scholes option-pricing model. The following assumptions were used for the calculation at date of grant:

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Year Ended December 31,		
	2022	2021	2020
Weighted average stock price	$1.95	$4.16	$2.78
Weighted average expected stock price volatility	74.1%	73.0%	80.9%
Expected annual dividend yield	—%	—%	—%
Weighted average expected life	5.7 years	6.0 years	5.9 years
Weighted average risk-free annual interest rate	2.88%	1.23%	0.52%
Weighted average grant date fair value	$1.35	$2.61	$1.78

Restricted Stock

The Company grants restricted SVS to independent directors, management, former owners of acquired businesses or assets, and to consultants and other employees. The restricted SVS are included in the issued and outstanding SVS, and the fair value of the restricted stock granted was SVS price at grant date. The following table summarized the status of our restricted stock and related transactions for each presented years:

	Unvested Restricted Stock	Weighted-Average Grant-date Fair Value Price per Restricted Stock	Average Intrinsic Value	Weighted Average Remaining Vesting Term (in Years)
Issued and Outstanding as of January 1, 2021	6,438,186	$ 1.85	$ 37,728	1.7
Granted	65,398	$ 3.66		
Vested and Released	(3,424,954)	$ 1.63	$ 14,251	
Cancelled	(219,479)	$ 2.45		
Issued and Outstanding as of December 31, 2021	2,859,151	$ 2.13	$ 9,292	1.2
Granted	86,952	$ 2.05		
Vested and Released	(1,789,784)	$ 1.96	$ 3,601	
Issued and Outstanding as of December 31, 2022	1,156,319	$ 2.45	$ 881	0.3

Share-based compensation cost

The Company recorded share-based compensation costs related to previously issued stock options, restricted stocks and compensatory warrants totaling $23,073, $14,506 and $9,592 for the years ended December 31, 2022, 2021 and 2020, respectively, and are included in selling, general and administrative operating expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

As of December 31, 2022, the Company had $19,246 of unrecognized share-based compensation cost related to unvested stock options, restricted stocks and warrants and is expected to be recognized as share-based compensation cost over a weighted average period of 1.4 years as follows:

2023	$ 13,485
2024	4,333
2025	1,128
2026	275
2027	25
	$ 19,246

Other Equity

Refer to Note 12 - Debt for details of a convertible promissory note classified as equity.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

16. INCOME TAXES

Details of the Company’s income tax expense are as follows:

	Year Ended December 31,		
	2022	2021	2020
Current tax expense:			
Federal	$ 26,738	$ 25,501	$ 9,728
State	7,783	9,234	4,452
	$ 34,521	$ 34,735	$ 14,180
Deferred tax benefit:			
Federal	$ (17,780)	$ (5,477)	$ (2,650)
State	(8,332)	(1,724)	(962)
Foreign	(5,969)	(3,874)	(3,307)
	$ (32,081)	$ (11,075)	$ (6,919)
Change in valuation allowance	6,008	5,965	3,362
Total income tax expense	$ 8,448	$ 29,625	$ 10,623

The differences between the income tax expense and the expected income taxes based on the statutory tax rate applied to pre-tax earnings (loss) are as follows:

	Year Ended December 31,		
	2022	2021	2020
Loss (income) before income taxes	$ (193,876)	$ 47,104	(201,892)
Statutory tax rate	21.00 %	21.00 %	21.00 %
Tax benefit based on statutory rates	$ (40,714)	$ 9,892	$ (42,397)
Difference in tax rates	2,500	16,753	(53,432)
Gain on fair value of derivative	(44,106)	(50,482)	83,498
IRC Section 280E disallowed expenses	43,272	12,520	3,961
Share-based compensation	10,509	2,361	2,099
Interest expense and debt costs	13,718	3,616	1,549
Change in valuation allowance	6,008	5,965	3,362
State taxes, net	1,698	1,249	1,477
Change in uncertain tax positions	8,618	26,823	11,857
Change in state tax rates	(2,557)	—	—
Impairment expense	8,289	—	—
Bargain purchase gain	—	—	(2,131)
Other differences	1,213	928	780
Total income tax expense	$ 8,448	$ 29,625	$ 10,623
Effective tax rate	(4.4)%	62.9 %	(5.3)%

The amount of interest and penalties related to outstanding income tax liabilities recorded by the Company during the year ended December 31, 2022 was not material. Additionally, the Company’s income tax payable of $19,921 as of December 31, 2022 included deferral of certain 2022 estimated income tax payments. The Company files income tax returns in the U.S., various U.S. state jurisdictions, and Canada, which have varying statutes of limitations. As of December 31, 2022, with few exceptions, all tax filings remain open for assessment.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

Year-end deferred tax assets and liabilities were due to the following:

	Year Ended December 31, 2022	2021
Deferred tax assets:		
Lease liability	$ 24,328	$ 26,261
Net operating losses	16,819	7,941
Financing fees	1,487	2,289
Start-up costs	661	820
Inventory	1,555	—
Property and equipment	—	957
Other deferred tax assets	619	1,295
Valuation allowance	(17,397)	(11,389)
	$ 28,072	$ 28,174
Deferred tax liabilities:		
Right-of-use assets	$ (21,865)	$ (24,406)
Intangible assets	(5,235)	(20,851)
Property and equipment	(693)	—
Other deferred tax liabilities	(80)	(978)
	$ (27,873)	(46,235)
Net deferred tax asset (liabilities) [1]	$ 199	$ (18,061)

[1] Net deferred tax assets are included in other non-current assets while net deferred tax liabilities are included in non-current income tax liabilities in the consolidated balance sheets.

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization has been recorded at December 31, 2022 and 2021.

As of December 31, 2022, the Company had $50,412 of non-capital Canadian losses, $2,918 of capital Canadian losses, $8,177 of other foreign losses, $36,615 of state net operating losses which expire in 2032-2042. The Company has not recorded $14,531 of these state net operating losses as an unrecognized tax benefit. To the extent that the benefit from these loss carryforwards are not expected to be realized, the Company has recorded a valuation allowance as follows: $50,412 for non-capital Canadian losses, $2,918 for capital Canadian losses, $8,177 for other foreign losses, $1,840 for state net operating losses.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for U.S. federal income tax purposes as well as state income tax purposes for all states except for California and Colorado. Starting with the 2022 tax year, Massachusetts and New York also decoupled from IRC Section 280E. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

The Company’s tax returns benefited from not applying IRC Section 280E to certain entities of the consolidated group either due to the entity not yet starting operations or because the entity had a separate trade or business that was not medical or recreational cannabis operations. The Company has also treated certain expenses as cost of sales for tax purposes which were treated as selling, general and administrative expenses for financial statement purposes. The Company determined that it is not more likely than not these tax positions would be sustained under examination. As a result, the Company has an uncertain tax liability of $57,200 and $41,990 as of December 31, 2022 and 2021, respectively, inclusive of interest and penalties, which is included in non-current income tax liabilities in the consolidated balance sheets. Additionally, there are unrecognized deferred tax benefits of $3,412 and $3,269 as of December 31, 2022 and 2021, respectively. The Company does not expect the unrecognized tax benefits will materially increase or decrease within the next 12 months.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

The total amount of interest and penalties related to the uncertain tax liability recorded in income tax expense for the year ended December 31, 2022 were $2,907 and $4,783, respectively. The total amount of interest and penalties related to the uncertain tax liability recorded within income tax expense for the year ended December 31, 2021, was $643 and $2,742, respectively. The total amount of interest and penalties related to the uncertain tax liability recorded within income tax expense for the year ended December 31, 2020, was $45 and $nil.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (exclusive of interest and penalties) are as follows:

Balance at January 1, 2021	$ 21,135
Additions based on tax positions related to the current year	20,368
Balance at December 31, 2021	$ 41,503
Reductions based on lapse of statute of limitations	(552)
Additions based on tax positions related to the current year	1,452
Reductions based on tax positions related of the prior year	(127)
Additions for tax positions of prior years recorded to goodwill	5,982
Balance at December 31, 2022	$ 48,258

17. NON-CONTROLLING INTERESTS

The components of the Company's non-controlling interests and related activity are as follows:

	Dalitso	BHILH	Jushi Europe	Agape	Other Non-material Interests	Total
Balance as of January 1, 2020	$ 9,642	$ —	$ —	$ —	$ 18	$ 9,660
Acquisitions	—	4,661	—	1,560	—	6,221
Purchase of non-controlling interests	(8,359)	(4,661)	—	—	—	(13,020)
Cash contribution by partner	—	—	2,000	—	—	2,000
Transactions with non-controlling interests	—	—	—	—	(6)	(6)
(Loss) income	(1,283)	—	(616)	2	(11)	(1,908)
Balance as of December 31, 2020	$ —	$ —	$ 1,384	$ 1,562	$ 1	$ 2,947
Purchases of non-controlling interests	—	—	—	(1,562)	—	(1,562)
Loss	—	—	(2,771)	—	(1)	(2,772)
Balance as of December 31, 2021	$ —	$ —	$ (1,387)	$ —	$ —	$ (1,387)
Balance as of December 31, 2022	$ —	$ —	$ (1,387)	$ —	$ —	$ (1,387)

Jushi Europe

The Company's non-controlling interests as of December 31, 2022 are comprised primarily of the non-controlling interest in Jushi Europe. In March 2020, the Company finalized its agreement to expand internationally through the establishment of Jushi Europe. Jushi Europe planned 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. During the first quarter of 2020, the Company received $2,000 in cash from the 49% investor partner. The Company owns 51% of Jushi Europe 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 through voting control so as to obtain economic benefits, and therefore the Company has consolidated Jushi Europe from the date of acquisition.

During the fourth quarter of 2020, Jushi Europe entered into a credit agreement with a relative of the Jushi Europe non-controlling partner and received €500 (approximately $614) principal amount. In January 2021, Jushi Europe received €1,000 (approximately $1,214 as of December 31, 2021) principal amount pursuant to a credit agreement with an individual. These credit agreements accrue interest at 5% per annum, payable annually in arrears, and mature on November 11, 2024. The outstanding balance may be prepaid at any time prior to maturity without penalty and may be offset with receivables from the lender. Subsequent to December 31, 2021, it was determined that Jushi Europe was insolvent. The insolvency created an event of default under the unsecured credit agreements of Jushi Europe and the notes became immediately due and payable.

In April 2021, Jushi Europe entered into an unsecured bridge loan with the Company (51% owner) and an investment partner for a total of €1,800 (~$2,141) principal amount, of which €900 (~$1,070) was contributed by the Company and is eliminated in consolidation. In September 2021, the parties amended the loan agreement and an additional €1,200 (~$1,390) in funding was provided for Jushi Europe, of which 51% was contributed by the Company and is eliminated in consolidation. The bridge loans, as amended, currently accrue interest at 0.5% per annum, which is the foreign marginal lending facility rate plus 25 basis points. All payments including interest are due on maturity, which is 180 days post amendment. These loans have not yet been repaid and are delinquent.

In February 2022, Jushi Europe filed a notice of over-indebtedness with the Swiss courts. Accordingly, the Company determined that the assets of Jushi Europe were impaired and recognized an impairment loss of $4,561 for the year ended December 31, 2021. Then, the Swiss courts declared Jushi Europe's bankruptcy in May 2022. As a result, Jushi Europe updated its corporate name to Jushi Europe SA in liquidation, which is on-going.

Purchases of Non-Controlling Interests

Agape

In January 2021, the Company acquired the remaining 20% of the equity interests of Agape from the non-controlling shareholders for 500,000 SVS for total estimated fair value of $3,425, based on a market price of $6.85 per share on the date of close. As a result of the transaction, the Company recorded a decrease to non-controlling interests of approximately $1,562. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted was recognized in paid-in capital. The Company now owns 100% of the issued and outstanding shares of Agape.

Dalitso

In November and December 2020, the Company closed on a series of transactions pursuant to which the Company acquired all the remaining 38.24% equity interests of Dalitso for total consideration with an estimated fair value of $14,846. The consideration comprised of 3,294,478 SVS (with a total fair value of $12,053), $381 in cash, and an unsecured convertible promissory note of principal amount $2,412. Refer to "Acquisition-related promissory notes payable" in Note 12 - Debt for details of this convertible promissory note. The SVS were valued based on the closing price of the SVS as of the dates of the transactions. The Company now owns 100% of the issued and outstanding shares of Dalitso.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

TGSIH/BHILH

In the first quarter of 2020, previous litigation involving a non-controlling interest holder in BHILH/TGSIH was settled resulting in an agreement for the Company to purchase the remaining approximately 25% interest in BHILH/TGSIH held by the non-controlling interest holders. In February 2020, the Company acquired the remaining approximately 25% interest in TGSIH for total consideration with an estimated fair value of $4,661 as of the date of the acquisition. The consideration comprised of $2,000 in cash (of which $150 related to the legal settlement and was expensed), 633,433 Subordinate Voting Shares (fair value $811), and $2,000 in 10% Senior Notes (fair value $1,325) with 950,148 warrants (fair value $675) to acquire Subordinate Voting Shares at an exercise price of ~$1.57 (the exercise price has since been updated to $1.25 as a result of a subsequent down-round). The Company now owns 100% of TGSIH.

Grover Beach

In March 2021, the Company closed on the acquisition of approximately 78% of the equity of Grover Beach, with the rights to acquire the remaining equity for one dollar in the future. In September 2022, the Company exercised its rights to acquire the remaining 22%, and as such the Company now owns 100% of Grover Beach..

18. (LOSS) EARNINGS PER SHARE

The reconciliations of the net income (loss) and the weighted average number of shares used in the computations of basic and diluted loss (earnings) per share attributable to Jushi shareholders are as follows:

	Year Ended December 31, 2022	2021	2020
Numerator:			
Net (loss) income and comprehensive (loss) income attributable to Jushi shareholders	$ (202,324)	$ 20,251	$ (210,607)
Dilutive effect of net income from derivative warrants	(91,887)	(104,594)	—
Net loss and comprehensive loss attributable to Jushi shareholders - diluted	$ (294,211)	$ (84,343)	$ (210,607)
Denominator:			
Weighted-average shares of common stock - basic	190,021,550	170,292,035	108,485,158
Dilutive effect of derivative warrants	14,213,882	31,318,216	—
Weighted-average shares of common stock - diluted	204,235,432	201,610,251	108,485,158
(Loss) earnings per share - basic	$ (1.06)	$ 0.12	$ (1.94)
(Loss) earnings per share - diluted	$ (1.44)	$ (0.42)	$ (1.94)

In August 2021, all the 149,000 previously issued and outstanding Super Voting Shares and all the 4,000,000 previously outstanding Multiple Voting Shares were converted into SVS in accordance with their terms as described in Jushi Holdings Inc.'s Articles of Incorporation. Refer to Note 15 - Equity. The number of basic and diluted weighted-average shares outstanding for 2021 assumes the conversion of the Multi Voting Share and Super Voting Shares into SVS as of the beginning of the year. Other than voting rights, the Multi Voting Shares and Super Voting Shares had the same rights as the SVS and therefore all these shares are treated as the same class of common stock for purposes of the earnings (loss) per share calculations.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

The following table summarizes equity instruments that may, in the future, have a dilutive effect on loss per share, but were excluded from consideration in the computation of diluted net loss per share for the years ended December 31, 2022, 2021 and 2020 because the impact of including them would have been anti-dilutive:

	December 31,		
	2022	2021	2020
Stock options	30,752,259	20,429,120	9,573,834
Non-derivative warrants	30,673,635	29,156,048	36,764,244
Unvested restricted stock awards	1,156,319	2,859,151	6,438,186
Convertible promissory notes	—	910,000	930,000
	62,582,213	53,354,319	53,706,264

19. OPERATING EXPENSES

The major components of operating expenses are as follows:

	Year Ended December 31,		
	2022	2021	2020
Salaries, wages and employee related expenses	$ 71,237	$ 58,228	$ 21,781
Share-based compensation expense	23,073	14,506	9,592
Rent and related expenses	13,162	9,722	5,243
Depreciation and amortization expense	12,724	5,805	4,154
Professional fees and legal expenses	10,371	6,507	3,975
Indefinite-lived intangible asset impairment	111,515	—	—
Goodwill impairment	39,643	1,783	—
Tangible long-lived asset impairment	8,487	4,561	—
Other expenses [1]	25,599	18,047	10,150
Total operating expenses	$ 315,811	$ 119,159	$ 54,895

(1) Other expenses are primarily comprised of marketing and selling expenses, insurance costs, administrative and application fee, software and technology costs, travel, entertainment and conferences and other.

20. OTHER INCOME (EXPENSE)

The components of other income (expense), net are as follows:

	Year Ended December 31,		
	2022	2021	2020
Net gains on business combinations	$ —	$ —	$ 10,149
(Losses) gains on investments and financial assets	(523)	1,216	(2,473)
Losses on debt redemptions/extinguishments/modifications	(18,858)	(3,815)	(1,853)
Gains (losses) on legal settlements	24	10,350	(2,217)
Other (losses) gains	(482)	558	96
Other (expense) income, net	$ (19,839)	$ 8,309	$ 3,702

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

21. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

	Year Ended December 31,			As of December 31,	
	2022	2021	2020	2022	2021
Nature of transaction	Related Party Income (Expense)			Related Party Receivable (Payable)	
Management services agreements [1]	$ —	$ (42)	$ (248)	$ —	$ —
Senior Notes - interest expense and principal amount [2]	$ (26)	$ (4)	$ (2,305)	$ —	$ (1,194)
Second Lien Notes - interest expense and principal amount [3]	$ (138)	$ —	$ —	$ (17,491)	$ —
Other debt [4]	$ —	$ —	$ —	$ (3,189)	$ (3,384)
Loans to senior key management - interest income [5]	$ —	$ 90	$ 21	$ —	$ —

(1) Includes fees paid to entities controlled by the Company's Chief Executive Officer, James Cacioppo, for shared costs of administrative services, the provision of financial and research-related advice, and sourcing and assisting in mergers, acquisitions and capital transactions. These amounts are included in operating expenses within the consolidated statements of operations and comprehensive income (loss).

(2) For the year ended December 31, 2022, interest expense includes amounts related to certain senior key management, directors and other employees as well as a significant investor. Interest expense for year ended December 31, 2022 and 2021 cannot be reliably determined as the majority of the Senior Notes are publicly traded. Principal amounts outstanding as of December 31, 2022 and 2021 are also estimates for this reason.

(3) For the year ended December 31, 2022, the Second Lien Notes payable and the related interest expense includes amounts related to a director as well as a significant investor.

(4) Refer to Note 17 - Non-Controlling Interests for details of other loans from related parties.

(5) In January 2021, an executive received a loan from the Company of $174 for withholding tax requirements for RSAs issued to the executive, which was repaid in full via payroll deductions. In April 2019, the Company entered into promissory notes with certain executives for the purchase of restricted stock, pursuant to which those executives borrowed an aggregate of $1,813 at a rate of 2.89% per annum, compounded annually. As these loans were non-recourse loans under the accounting guidance they were not reflected in the consolidated balance sheet or table above. As of December 31, 2021, all these balances plus accrued interest have been settled. The balances including accrued interest were settled as part of the executive's regular pay and bonus, severance or via shares repurchased by the Company. During the year ended December 31, 2021, the Company received 471,757 shares from key management personnel in full settlement of principal amount $2,007 outstanding promissory notes and related interest.

22. COMMITMENTS AND CONTINGENCIES

Contingencies

Although the possession, cultivation and distribution of cannabis for medical and recreational use is permitted in certain states, cannabis is classified as a Schedule-I controlled substance under the U.S. Controlled Substances Act and its use remains a violation of federal law. 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 believes that the Company is in material compliance with applicable local and state regulations as of December 31, 2022, 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 at any time. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with the Company's business plans. In addition, the Company's assets, including real property, cash and cash equivalents, equipment, inventory and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

Refer to Note 16 - Income Taxes for certain tax-related contingencies and to Note 7 - Acquisitions for acquisition-related contingent consideration liability.

Claims and Litigation

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. From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the Company's financial results. There are also no material 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.

Refer to Note 17 - Non-Controlling Interests for the information regarding the bankruptcy of Jushi Europe, and Note 25 - Subsequent Events for other pending matters.

Commitments

In addition to the contractual obligations outlined in Note 12 - Debt and Note 13 - Leases, the Company has the following commitments as of December 31, 2022:

Property and Construction Commitments

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 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 and buildouts relating to that license may need to be expensed in future periods in the statements of operations and comprehensive income (loss).

401(k) Plan

The Company maintains a 401(k) plan, which is generally available to eligible employees. The Company makes safe harbor matching contributions, subject to a maximum contribution of 4% of the participant's compensation. The employer matching contributions to the 401(k) plan were $1,030, $616 and $327 for the years ended December 31, 2022, 2021 and 2020, respectively.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

23. FINANCIAL INSTRUMENTS

The following table sets forth the Company's financial assets and liabilities, subject to fair value measurements on a recurring basis, by level within the fair value hierarchy:

	As of December 31,	
	2022	2021
Financial assets: (1)		
Equity investment (2)	$ 977	$ 1,500
Total financial assets	$ 977	$ 1,500
Financial liabilities: (1)		
Derivative liabilities (3)	$ 14,134	$ 92,435
Contingent consideration liabilities (4)	4,793	8,223
Total financial liabilities	$ 18,927	$ 100,658

(1) The Company has no financial assets or liabilities in Level 1 or 2 within the fair value hierarchy as of December 31, 2022 and 2021, and there were no transfers between hierarchy levels during the years ended December 31, 2022 and 2021.

(2) The Company adjusted its equity investment carrying value as of December 31, 2022 to reflect its equity balance of the investee, resulting in the recording of a loss on investment of $523 during the year ended December 31, 2022. The loss on investment is included within other income (expenses), net in the consolidated statements of operations and comprehensive income (loss).

(3) Refer to Note 14 - Derivative Liabilities

(4) Refer to Note 7 - Acquisitions

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and certain accrued expenses, and certain other assets and liabilities held at amortized cost, approximate their fair values due to the short-term nature of these instruments. The equity investment approximates its fair value at December 31, 2022 and 2021, respectively. The carrying amounts of the promissory notes approximate their fair values as the effective interest rates are consistent with market rates. The carrying amount of the Second Lien Notes and the Senior Notes approximates its fair values as of December 31, 2022 and 2021, respectively.

(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

24. BUSINESS CONCENTRATION

There was no single customer that amounted to more than 10% of the Company's total sales for the years ended December 31, 2022, 2021 and 2020.

Accounts receivable from customers that amounted to more than 10% of the Company's accounts receivable as of December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022	2021
Customer A	*	22%
Customer B	10%	22%
Customer C	*	13%
Customer D	*	11%

* Less than 10% of accounts receivable, net

The Company purchased inventory from vendors that amounted to more than 10% of the Company's total purchases for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Year Ended December 31,		
	2022	2021	2020
Vendor A	24%	25%	23%
Vendor B	13%	11%	11%
Vendor C	*	*	15%

* Less than 10% of total product purchases

There were no single vendor that amounted to more than 10% of the Company's accounts payable and accrued expenses as of December 31, 2022. As of December 31, 2021, one vendor amounted to 24% of the Company's accounts payable and accrued expenses.

25. SUBSEQUENT EVENTS

Manassas loan agreement

On April 6, 2023, subsidiaries of the Company entered into a loan agreement (the "Loan Agreement") with FVCbank (the "Lender") for a commercial loan in an aggregate principal amount of $20,000 (the "Loan"). The Loan has a five (5) year term and is principally secured by the Company's cultivation and manufacturing facility located in Manassas, Virginia. The Loan will bear interest based on the 30-day average secured overnight financing rate plus 3.55%, with a floor rate of not less than 8.25%, which was the interest rate as of April 6, 2023.

The Loan Agreement contains a debt service coverage ratio, and other covenants with which we are required to comply. Additionally, the Loan Agreement contains customary events of default, including failure to repay the Loan when due. Any event of default, if not cured or waived in a timely manner, could result in the acceleration of the Loan under the Loan Agreement.

MJ Market matter

On March 31, 2023, MJ's Market ("MJ's"), Inc. filed a complaint in federal district court in Massachusetts adverse to Jushi Holdings, Inc. and the following of its subsidiaries, including Jushi MA, Inc., Jushi Inc. and Nature's Remedy of

Massachusetts ("collectively, Jushi"), as well as the former owners and affiliates of Nature's Remedy of Massachusetts ("Complaint"). The Complaint centrally claims that the structure of the Nature's Remedy of Massachusetts transaction providing for increased purchase price consideration if there is no competing dispensary within 2,500 foot radius by certain time periods, and the Company's filing with the Massachusetts Superior Court an appeal of the Town of Tyngsborough's decision to approve MJ's facility in contradiction of its own zoning bylaws are violations of the Sherman Antitrust Act, Massachusetts Antitrust Act, and Massachusetts Consumer Protection Act, as well as interference with contractual relations and abuse of process. The Company vehemently denies such allegations, and plans to vigorously defend the Complaint.

CEO employment agreement amendment

In March 2023, the Company and one of its wholly subsidiary, JGMT, LLC, and Company's Chief Executive Officer and Chairman of the Board of Directors ("CEO") entered into an amendment to the existing employment agreement (the "Amendment") pursuant to which the CEO agreed to receive the $750 annual cash bonus that would otherwise have been paid to him in March 2023 in the following alternative form: (i) a lump sum cash payment in the amount of $250, (ii) $750 aggregate principal amount of Second Lien Notes 12% second lien notes due December 7, 2026, and (iii) fully-detached warrants to purchase up to approximately $375 worth of the Company's subordinate voting shares ("Warrants"), with such warrants to be priced and issued as soon as practicable in accordance with US and Canadian securities laws.

The warrants, when issued, will have an exercise price per subordinate voting share equal to the greater of: (a) a twenty-five percent (25%) premium to the volume-weighted average price per share of the Company's subordinate voting shares on the Canadian Securities Exchange (converted into U.S. Dollars at an exchange rate determined by the Company in good faith) over the trailing ten (10) trading day period prior to the date the Warrants are issued, and (b) the fair market value of the Company's subordinate voting shares on the Canadian Securities Exchange (converted into U.S. Dollars at an exchange rate determined by the Company in good faith) on the date the Warrants are issued.

Each component of the annual bonus shall be paid or issued on March 15, 2023, or as soon as practicable thereafter, as determined by the Board in its sole discretion, but in no event later than December 31, 2023, subject to the Company's collection of all applicable withholding taxes, and provided the CEO remains employed by the Company on the applicable payment date. The Company does not expect the Warrants to be issued to the CEO until after the Company's Quarterly Report on Form 10-Q for the second quarter of 2023 is filed.

Sammartino matter

On February 28, 2023, the Company informed Sammartino Investments LLC ("Sammartino"), the former owner of Nature's Remedy and certain of its affiliates, that Sammartino had breached several provisions of the Merger and Membership Interest Purchase Agreement (as amended, the "MIPA") and/or fraudulently induced the Company to enter into, and not terminate, the MIPA. As a consequence of these breaches and the fraudulent inducement, the Company informed Sammartino that the Company had incurred significant damages, and pursuant to the terms of the MIPA the Company had elected to offset these damages against certain promissory notes and shares the Company was to pay and issue, respectively, to Sammartino, and that Sammartino would be required to pay the remainder in cash. On March 13, 2023, Sammartino responded to the Company by alleging various procedural deficiencies with the Company's claim and provided the Company with a notice that the Company was in default of the MIPA for failing to issue certain shares of the Company to Sammartino. On March 21, 2023, Sammartino sent a second notice that the Company was in default of the promissory notes for failing to pay interest pursuant to their specified schedule. On March 23, 2023, the Company sent a second letter to Sammartino disputing each procedural deficiency claimed by Sammartino and disputing that the Company is in default of the MIPA or the promissory notes and that it properly followed the terms of the various agreements in electing to set off the damages. Refer to Note 7 - Acquisitions and Note 12 - Debt for additional information on the acquisition of Nature's Remedy.