THESE FINANCIAL STATEMENTS FOR JUSHI HOLDINGS INC. ARE ALSO INCLUDED IN THE FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2023, FILED ON SEDAR IN ITS ENTIRETY

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "report") may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws, including Canadian securities legislation and United States ("U.S.") securities legislation (collectively, "forward-looking information") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. All information, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is often identified by the words, "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: future business strategy; competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including new revenue streams; the integration and benefits of recently acquired businesses or assets; roll out of new operations; the implementation by the Company of certain product lines; the implementation of certain research and development; the application for additional licenses and the grant of licenses that will be or have been applied for; the expansion or construction of certain facilities; the reduction in the number of our employees; the expansion into additional U.S. and international markets; any potential future legalization of adult use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information is not based on historical facts but instead is based on reasonable assumptions and estimates of the management of the Company at the time they were provided or made and such information involves known and unknown risks, uncertainties, including our ability to continue as a going concern, and other factors that may cause the actual results, level of activity, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others: risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to the economy generally; risks related to inflation, the rising cost of capital, and stock market instability; risks relating to pandemics and forces of nature; risks related to contracts with third party service providers; risks related to the enforceability of contracts; the limited operating history of the Company; the Company's history of operating losses and negative operating cash flows; reliance on the expertise and judgment of senior management of the Company; risks inherent in an agricultural business; risks related to co-investment with parties with different interests to the Company; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to the Company's current amount of indebtedness; risks relating to the need to raise additional capital either through debt or equity financing; risks relating to the management of growth; costs associated with the Company being a publicly-traded company and a U.S. and Canadian filer; increasing competition in the industry; risks associated with cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; reliance on manufacturers and contractors; risks of supply shortages or supply chain disruptions; cybersecurity risks; constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcing judgments and effecting service outside of Canada; risks related to completed, pending or future acquisitions or dispositions, including potential future impairment of goodwill or intangibles acquired and/or post-closing disputes; sales of a significant amount of shares by existing shareholders; the limited market for securities of the Company; risks related to the continued performance of existing operations in California, Illinois, Massachusetts, Nevada, Ohio, Pennsylvania, and Virginia; risks related to the anticipated openings of additional dispensaries or relocation of existing dispensaries; risks relating to the expansion and optimization of the cultivation and/or processing facilities in Massachusetts, Nevada, Ohio, Pennsylvania and Virginia; risks related to opening new facilities, which is subject to licensing approval; limited research and data relating to cannabis; risks related to challenges from governmental authorities with respect to the Company’s tax credits; and risks related to the Company’s critical accounting policies and estimates.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on the forward-looking information contained in this report or other forward-looking statements made by the Company. Forward-looking information is provided and made as of the date of this Annual Report on Form 10-K and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

Unless the context requires otherwise, references in this report to “Jushi,” “Company,” “we,” “us” and “our” refer to Jushi Holdings Inc. and our subsidiaries.

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 sheet of Jushi Holdings Inc. (the "Company") as of December 31, 2023, the related consolidated statements of operations and comprehensive income (loss), changes in equity (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a significant working capital deficit and sustained negative cash flows from operations and needs to refinance its credit facility to meet its obligations within the next year. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to the refinancing are also described in Note 2. The 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 audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audit included performing procedures to assess the risks of material misstatement of the 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 audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Macias Gini & O'Connell LLP

Macias Gini & O'Connell LLP (PCAOB ID 324)

We have served as the Company's auditor since 2023.

San Jose, California
April 1, 2024

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 sheet of Jushi Holdings Inc. (the "Company") as of December 31, 2022, the related consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for each of the years in the two 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 the results of its operations and its cash flows for each of the years in the two 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 served as the Company's auditor from June 2021 to April 2023.

Chicago, Illinois
April 17, 2023

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

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,027	$ 26,196
Restricted cash - current	3,128	—
Accounts receivable, net	3,380	4,809
Inventories, net	33,586	35,089
Prepaid expenses and other current assets	15,514	3,957
Total current assets	81,635	70,051
NON-CURRENT ASSETS:		
Property, plant and equipment, net	159,268	177,755
Right-of-use assets - finance leases	63,107	114,021
Other intangible assets, net	95,967	100,082
Goodwill	30,910	38,239
Other non-current assets	30,358	28,243
Restricted cash - non-current	2,150	950
Total non-current assets	381,760	459,290
Total assets	$ 463,395	$ 529,341
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 15,383	$ 21,313
Accrued expenses and other current liabilities	44,070	46,329
Income tax payable	5,190	19,921
Debt, net - current portion (including related party principal amounts of $3,298 and $3,189 as of December 31, 2023 and 2022, respectively)	86,514	8,704
Finance lease obligations - current	8,885	11,361
Derivative liabilities - current	2,418	—
Total current liabilities	162,460	107,628
NON-CURRENT LIABILITIES:		
Debt, net - non-current (including related party principal amounts of $19,788 and $17,491 as of December 31, 2023 and 2022, respectively)	126,041	180,558
Finance lease obligations - non-current	52,839	102,375
Derivative liabilities - non-current	220	14,134
Unrecognized tax benefits	100,343	57,200
Other liabilities - non-current	29,111	21,555
Total non-current liabilities	308,554	375,822
Total liabilities	471,014	483,450
COMMITMENTS AND CONTINGENCIES (Note 22)		
EQUITY:		
Common stock, no par value; authorized shares - unlimited; issued and outstanding shares - 196,631,598 and 196,686,372 Subordinate Voting Shares as of December 31, 2023 and 2022, respectively	—	—
Paid-in capital	503,612	492,020
Accumulated deficit	(509,844)	(444,742)
Total Jushi shareholders' (deficit) equity	(6,232)	47,278
Non-controlling interests	(1,387)	(1,387)
Total (deficit) equity	(7,619)	45,891
Total liabilities and equity	$ 463,395	$ 529,341

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,		
	2023	2022	2021
REVENUE, NET	$ 269,445	$ 284,284	$ 209,292
COST OF GOODS SOLD	(153,217)	(188,806)	(125,898)
GROSS PROFIT	116,228	95,478	83,394
OPERATING EXPENSES			
Selling, general and administrative	110,472	156,166	112,815
Asset impairments	8,574	159,645	6,344
Total operating expenses	119,046	315,811	119,159
LOSS FROM OPERATIONS	(2,818)	(220,333)	(35,765)
OTHER INCOME (EXPENSE):			
Interest expense, net	(36,966)	(45,591)	(30,610)
Fair value gain on derivatives	9,589	91,887	105,170
Other, net	(3,101)	(19,839)	8,309
Total other income (expense), net	(30,478)	26,457	82,869
INCOME (LOSS) BEFORE INCOME TAX	(33,296)	(193,876)	47,104
Income tax expense	(31,806)	(8,448)	(29,625)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(65,102)	(202,324)	17,479
Less: net loss attributable to non-controlling interests	—	—	(2,772)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$ (65,102)	$ (202,324)	$ 20,251
EARNINGS (LOSS) PER SHARE - BASIC	$ (0.33)	$ (1.06)	$ 0.12
Weighted average shares outstanding - basic	194,770,212	190,021,550	170,292,035
EARNINGS (LOSS) PER SHARE - DILUTED	$ (0.33)	$ (1.44)	$ (0.42)
Weighted average shares outstanding - diluted	194,770,212	204,235,432	201,610,251

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

Table of Contents

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) 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, 2021	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
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
Shares canceled upon forfeiture of restricted stock, net of restricted stock grants	—	—	(54,774)	—	—	—	—	—
Share-based compensation (including related parties)	—	—	—	8,092	—	8,092	—	8,092
Modification and reclassification of warrants	—	—	—	3,391	—	3,391	—	3,391
Cashless exercise of options	—	—	—	(282)	—	(282)	—	(282)
Issuance of warrants	—	—	—	391	—	391	—	391
Net loss	—	—	—	—	(65,102)	(65,102)	—	(65,102)
Balances - December 31, 2023	—	—	196,631,598	$ 503,612	$ (509,844)	$ (6,232)	$ (1,387)	$ (7,619)

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,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (65,102)	$ (202,324)	$ 17,479
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization, including amounts in cost of goods sold	26,588	26,492	8,411
Share-based compensation	8,092	23,073	14,506
Fair value changes in derivatives	(9,589)	(91,887)	(105,170)
Non-cash interest expense, including amortization of deferred financing costs	6,498	19,437	17,055
Deferred income taxes and uncertain tax positions	25,874	(17,455)	21,713
Loss on debt modification/extinguishment/redemption	—	18,858	3,815
Asset impairments	8,574	159,645	6,344
Inventory charge	6,189	9,418	—
Other non-cash items, net	1,018	2,061	(1,297)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(2,366)	(1,594)	(1,872)
Accounts payable, accrued expenses and other current liabilities	(4,811)	24,106	21,558
Inventory	(4,687)	5,396	(12,945)
Prepaid expenses and other current assets	404	1,627	(7,502)
Other assets	—	1,731	3,601
Net cash flows used in operating activities	(3,318)	(21,416)	(14,304)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment	(10,743)	(56,881)	(75,296)
Payments for acquisitions, net of cash acquired	—	(20,978)	(47,308)
Proceeds from sale of property, plant and equipment	4,351	—	—
Payments for settlement of contingent consideration liability	—	(3,000)	—
Proceeds from investments and financial asset	—	—	9,149
Net cash flows used in investing activities	(6,392)	(80,859)	(113,455)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of shares, net	—	13,680	85,660
Proceeds from exercise of warrants and options	—	1,203	17,128
Proceeds from acquisition facility	—	25,000	40,000
Proceeds from issuance of second lien notes and related warrants	—	31,594	—
Redemptions of senior notes (including related party redemptions of $0, $8 and $3,072 for the year ended December 31, 2023, 2022 and 2021, respectively)	—	(33,726)	(8,134)
Payments of acquisition promissory notes	—	—	(1,620)
Proceeds from mortgage loans	21,900	—	—
Payments on acquisition related credit facility	(4,875)	—	—
Payments of finance leases, net of tenant allowance of $0, $10,633 and $19,046 for the year ended December 31, 2023, 2022 and 2021, respectively	(3,526)	(8,775)	(1,163)
Proceeds from other debt	—	2,800	7,910
Repayments of mortgage loans	(211)	(148)	—
Payments of loan financing costs	(250)	(2,437)	(1,701)
Proceeds from other financing activities	3,862	6,030	—
Payments of other financing activities, net	(3,031)	(1,238)	(417)
Net cash flows provided by financing activities	$ 13,869	$ 33,983	$ 137,663

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,		
	2023	2022	2021
Effect of currency translation on cash and cash equivalents	$ —	$ (49)	$ (274)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	4,159	(68,341)	9,630
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	27,146	95,487	85,857
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 31,305	$ 27,146	$ 95,487
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest (excluding capitalized interest)	$ 29,363	$ 27,706	$ 13,798
Cash paid for income taxes, net of refunds received	2,780	11,668	7,066
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Capital expenditures	1,475	7,921	17,599
Right of use assets from finance lease liabilities (excluding from acquisitions), net of tenant allowance receivable of $0, $0 and $7,357 for the years ended December 31, 2023, 2022 and 2021, respectively	681	4,811	51,200
Issuance of second lien notes for settlement of accrued bonus	1,900	—	—
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 in both medical and adult-use markets. As of December 31, 2023, Jushi, through its subsidiaries, owns or manages cannabis operations and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in California, Illinois, Massachusetts, Nevada, Ohio, Pennsylvania and Virginia. 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".

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 the 2023 consolidated financial statements, the Company used net cash of $3,318 for operating activities for the year ended December 31, 2023, and as of that date, the Company's current liabilities exceeded its current assets by $80,825. Such current liabilities as of December 31, 2023 include aggregate contractual maturities of (i) $60,125 of the Senior Secured Credit Facility debt that is to be paid in cash within the next twelve months, absent a refinancing, (ii) $22,484 of debt (including $1,817 of interest and $4,167 of milestone accruals) that are subject to indemnity claims in favor of the Company and not currently expected to be paid in cash within the next twelve months and (iii) $3,298 debt related to Jushi Europe SA, where the payments are subject to completion of the liquidation of Jushi Europe. Refer to Note 10 - Debt and Note 22 - Commitments and Contingencies for more information. Absent a refinancing, the Company will not meet its obligations within the next year. Management believes that with refinancing, the Company would meet its obligations.

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. The Company has a history of refinancing its debt and management intends to refinance the Senior Secured Credit Facility debt before the maturity date. The ability to continue as a going concern is dependent upon future financing. There is no assurance that the Company will be successful in this or any of its endeavors and continue as a going concern.

Additionally, the Acquisition Facility, as further described in Note 10 - Debt, contains certain financial and other covenants with which the Company is required to comply. The required financial covenants relate to (i) a minimum unrestricted cash and cash equivalents balance requirement and (ii) a minimum quarterly revenue requirement. On February 24, 2023, February 27, 2023, and May 10, 2023, the Company was non-compliant with an affirmative covenant relating to a minimum cash deposit requirement in a specified bank account. The Company received waivers for the first two instances of non-compliance on April 17, 2023, and received a waiver for the third instance of non-compliance on May 11, 2023. Because the Company anticipated that the audit reports associated with the Company's financial statements for the years ended December 31, 2022 and December 31, 2023 would contain a going concern qualification, and such going concern qualifications would constitute non-compliance with an affirmative covenant requiring the Company to obtain auditor reports associated with its annual financial statements that do not contain a going concern qualification, the Company obtained waivers of non-compliance with the aforementioned affirmative covenant on April 17, 2023, and March 12, 2024, respectively.

As previously reported in the 2022 consolidated financial statements, the Company 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 incurred losses as it continued 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 began 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 included, 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 existed about the Company's ability to continue as a going concern within the next twelve months from the date the 2022 Consolidated Financial Statements were issued (April 17, 2023).

Management funded the Company's operations, capital expenditures and debt service with existing cash and cash equivalents on hand, cash generated from operations and sales of non-core assets. The ability to continue as a going concern was dependent upon profitable future operations and positive cash flows from operations as well as future sales of assets. There was no assurance at that time that the Company would be successful in these efforts and continue as a going concern.

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.

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.

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

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; impairment; 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.

Cash, 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 balances in certain bank accounts in excess of the Federal Deposit Insurance Corporation limits. The failure of a financial institution where the Company has significant deposits in excess of the Federal Deposit Insurance Corporation limits 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,		
	2023	2022	2021
Cash and cash equivalents	$ 26,027	$ 26,196	$ 94,962
Restricted cash - current [(1)]	3,128	—	—
Restricted cash - non-current [(1)]	2,150	950	525
Cash, cash equivalents and restricted cash	$ 31,305	$ 27,146	$ 95,487

(1) Restricted cash primarily relates to the Manassas Mortgage. Refer to Note 10 - Debt for more information.

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. For certain customers, whom are also vendors of the Company that meet the right of setoff criteria within ASC 210-20, *Balance Sheet Offsetting*, the Company nets the accounts receivable and accounts payable for those customers for balance sheet presentation purposes.

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. 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 at least annually as of November 30, 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.

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.

Under ASC 606, revenue from the sale of medicinal and adult-use cannabis and derivative products has a single performance obligation and revenue is recognized at the point in time when control of the product transfers and the Company's obligations have been fulfilled. This generally occurs upon delivery and acceptance by the customer. Amounts disclosed as revenue are net of allowances and discounts. Discounts issued with respect to retail sales are not variable consideration and represent a margin-driven decision. Taxes collected from customers for remittance to governmental authorities are excluded from revenue.

For some of its retail 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 loyalty 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 estimates forfeitures based on historical forfeitures.

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, 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 decoupled from IRC Section 280E, and in 2023, Illinois 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 connection with the preparation and filing of the fiscal 2022 federal income tax return, the Company changed its previous application of 280E to exclude certain parts of its business.

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.

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.

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 7 - Goodwill and Other Intangible Assets for additional information.

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.

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.

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

3. INVENTORY, NET

The components of inventories, net, are as follows:

	As of December 31, 2023	As of December 31, 2022
Cannabis plants	$ 4,478	$ 4,347
Harvested cannabis and packaging	10,994	9,052
Total raw materials	15,472	13,399
Work in process	4,293	7,845
Finished goods	13,821	13,845
Total inventories, net	$ 33,586	$ 35,089

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	As of December 31, 2023	As of December 31, 2022
Employee retention credit receivable	$ 10,140	$ —
Prepaid expenses and deposits	2,716	3,409
Assets held for sale	1,647	—
Other current assets	1,011	548
Total prepaid expenses and other current assets	$ 15,514	$ 3,957

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), passed in March 2020 and subsequently amended in 2021, allowed eligible employers to take credits on certain amounts of qualified wages if the Company experienced either a full or partial suspension of operations due to COVID related government orders. During the year ended December 31, 2023, the Company, with guidance from a third-party specialist, determined it was entitled to employee retention credit (“ERC”) claims of $10,140 for previous business interruptions related to COVID and filed for such claims with the Internal Revenue Service (“IRS”). The ERC claims, which will be recognized in the statements of operations and comprehensive income (loss) when the Company receives the refunds of such claims from the IRS, were recorded as deferred income in Accrued expenses and other current liabilities, with an offsetting receivable amount in Prepaid expenses and other current assets within the consolidated balance sheet as of December 31, 2023.

As of December 31, 2023, the Company determined that one of its grower processor facilities located in Nevada with total carrying value of $1,647, met the criteria to be classified as assets held for sale, and therefore was reclassified from Property, plant and equipment, net to Assets held for sale, which is included in Prepaid expenses and other current assets in the consolidated balance sheet. The sale of the grower processor facility is expected to be completed within one year of the balance sheet date.

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

5. PROPERTY, PLANT AND EQUIPMENT

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

	As of December 31,	
	2023	2022
Buildings and building components	$ 88,527	$ 80,697
Land	12,956	14,085
Leasehold improvements	46,660	43,472
Machinery and equipment	27,050	27,615
Furniture, fixtures and office equipment (including computer)	21,146	16,126
Construction-in-process	1,968	20,086
Total property, plant and equipment - gross	198,307	202,081
Less: Accumulated depreciation	(39,039)	(24,326)
Total property, plant and equipment - net	$ 159,268	$ 177,755

Construction-in-process represents assets under construction for manufacturing and retail build-outs not yet ready for use. Construction-in-process decreased from $20,086 at December 31, 2022 to $1,968 at December 31, 2023 primarily due to project completion and closeouts at the Manassas, VA facility, and two retail store locations.

Total depreciation, including depreciation from assets held under finance leases (which are reflected separately in the consolidated balance sheets), was $23,319, $23,898 and $8,808 for the years ended December 31, 2023, 2022 and 2021, respectively. Interest expense capitalized to PPE totaled $523, $2,616 and $977 for the years ended December 31, 2023, 2022 and 2021, respectively.

As of December 31, 2023, the Company reclassified $1,647 from Property, plant and equipment, net to Assets held for sale. Refer to Note 4 - Prepaid Expenses and Other Current Assets for additional information.

6. ACQUISITIONS

2023 Business Combinations

The Company did not have any acquisitions during the year ended December 31, 2023.

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:

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

	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 10 - 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 10 - 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.

Purchase Price Allocations for 2022 Business Combinations

The purchase price accounting in connection with the acquisitions of Apothecarium and NuLeaf have been finalized as of March 31, 2023. There were no material measurement period adjustments during the year ended December 31, 2023.

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)	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	$ 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	21,462	648	—	—	22,110
Uncertain tax positions	1,322	1,411	—	—	2,733
Total liabilities assumed	$ 58,107	$ 4,108	$ —	$ 2,032	$ 64,247
Net assets acquired (3)	$ 73,512	$ 1,824	$ 4,982	$ 3,960	$ 84,278
Goodwill (3)	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.

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 (as defined in the definitive acquisition documents) opens a competing dispensary within a certain radius of the Company's dispensary in Tyngsborough, Massachusetts during the first 12-month of the closing date (the "First Milestone Period") or during the 18 months following 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. On each monthly anniversary of the closing date following the First Milestone Period (beginning on the 13-month anniversary of the closing date), Sammartino Investments LLC ("Sammartino"), the former owner of Nature's Remedy, shall accrue $278 worth of Company SVS (a "Monthly Milestone Accrual"). On the 18-month, 24-month and 30-month anniversary of the closing date (and provided a competitor has not opened a competing dispensary within a certain radius of the Company's dispensary in Tyngsborough, Massachusetts), Sammartino is entitled to be issued Company SVS in an amount equal to $1,667 divided by a volume weighted average reference share price. In March 2023, the 18-month anniversary of the closing date occurred and in September 2023, the 24-month anniversary of the closing date occurred without a competitor opening a competing dispensary within a certain radius of the Company's dispensary in Tyngsborough, Massachusetts. Consequently, as at December 31, 2023, $4,167 of Monthly Milestone Accrual was classified as acquisition-related milestone accrual in other current liabilities while the remaining liability of $817 relating to the 30-month anniversary was included in short-term contingent consideration liability. As of December 31, 2022, the aggregate contingent consideration liability was $4,793, of which $3,398 was included as a short-term contingent consideration liability and $1,395 was included in long-term contingent consideration liability.

As discussed in greater detail in Note 22 - Commitments and Contingencies, on February 28, 2023, the Company informed Sammartino that Sammartino had breached several provisions of the Merger and Membership Interest Purchase Agreement between the Company, Sammartino and certain other parties thereto (as amended, the "MIPA") and pursuant to the terms of the MIPA the Company had elected to offset these damages against (among other things) all present and future Monthly Milestone Accruals (the "Sammartino Matter").

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

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.

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%.

Business Combinations - Acquisition and Deal Costs

For the year ended December 31, 2022 and 2021 acquisition and deal costs totaled $1,204 and $350, respectively, and are included in 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
Revenue	$ 293,947	$ 284,026
Net income (loss)	$ (197,743)	$ 20,681

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 and 2021 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.

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

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill, carrying amount, as of January 1, 2022	$ 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
Impairment	(7,329)
Goodwill, carrying amount, as of December 31, 2023	$ 30,910

Other Intangible Assets

The components of other intangible assets are as follows:

	As of December 31, 2023	As of December 31, 2022	Estimated Useful Life
Licenses	$ 82,401	$ 82,401	Indefinite
Intellectual Property	9,580	9,580	10 years
Tradenames	12,209	12,800	5 - 10 years
Patient/Customer database	3,195	3,195	5 - 10 years
Non-compete	155	155	3 years
Website development	61	61	3 years
Formulations	50	50	Indefinite
Total gross amount	107,651	108,242	
Less: Accumulated Amortization	(11,684)	(8,160)	
Other Intangible Assets, net	$ 95,967	$ 100,082	

Amortization expense for the years ended December 31, 2023, 2022 and 2021 was $3,269, $3,123 and $1,977, respectively, and is included in operating expenses in the consolidated statements of operations and comprehensive income (loss). For the year ended December 31, 2023, there were no additions to intangible assets. For the year ended December 31, 2022, all additions to intangible assets were from acquisitions.

The estimated future annual amortization expense related to intangible assets as of December 31, 2023 are as follows:

2024	$ 2,950
2025	2,919
2026	2,648
2027	1,844
2028	1,779
Thereafter	1,376
Total estimated future amortization expense	$ 13,516

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

Impairment of Goodwill and Other intangible assets

2023 Impairments

During the year ended December 31, 2023, management determined that the Company's goodwill in Nevada was impaired due to the Company's lower than expected operating results, driven in part by the overall decline in the retail market within the state. The Company utilized a combination of the income approach (discounted cash flow method) and market approach (guideline company method) for its impairment test for each state, resulting in a goodwill impairment charge of $7,329. 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; (iii) an estimated discount rate and (iv) a weighted average cost of capital. The goodwill impairment is recorded within operating expenses in the consolidated statements of operations and comprehensive income (loss).

Additionally, for the year ended December 31, 2023, management determined that certain intangible assets associated with the NuLeaf acquisition were impaired due to the Company rebranding certain NuLeaf skus sold to retail and wholesale customers, and as a result, recorded an impairment charge of $845. The intangible asset impairment is recorded within operating expenses in the consolidated statements of operations and comprehensive income (loss).

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)

8. OTHER NON-CURRENT ASSETS

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

	As of December 31,	
	2023	2022
Operating lease assets [1]	$ 18,265	$ 16,244
Indemnification assets	6,906	8,198
Net deferred tax assets	2,772	—
Deposits and escrows - properties	1,723	1,637
Deposits - equipment	422	484
Equity investment [2]	200	977
Other	70	703
Total other non-current assets	$ 30,358	$ 28,243

(1) During the year ended December 31, 2023, the Company performed a reassessment of its real estate leases. Refer to Note 11 - Leases for more 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 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 for the years ended December 31, 2023 and 2022, as well as impairment charges recorded.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	As of December 31,	
	2023	2022
Deferred income - ERC [1]	$ 10,140	$ —
Goods received not invoiced	5,019	11,620
Operating lease obligations	4,693	2,652
Accrued employee related expenses and liabilities	4,175	6,030
Acquisition-related milestone accrual [2]	4,167	—
Accrued interest	4,106	2,388
Accrued sales and excise taxes	2,388	1,931
Deferred revenue (loyalty program)	1,407	1,870
Accrued professional and management fees	986	1,481
Contingent consideration liabilities [2]	817	3,398
Accrued capital expenditures	702	5,603
Other accrued expenses and current liabilities	5,470	9,356
Total	$ 44,070	$ 46,329

(1) Refer to Note 4 - Prepaid Expenses and Other Current Assets for more information.

(2) Refer to Note 6 - Acquisitions for more information.

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

10. DEBT

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

	Effective Interest Rate	Contractual Maturity Date	As of December 31, 2023	2022
Principal amounts:				
Second Lien Notes	15%	December 2026	$ 75,497	$ 73,182
Acquisition Facility	15%	December 2024	60,125	65,000
Acquisition-related promissory notes payable	8% - 23%	August 2024 - April 2027	35,716	35,716
Mortgage loans	6% - 11%	January 2027 - April 2028	29,456	7,770
Total debt subject to scheduled repayments			200,794	181,668
Promissory notes payable to Sammartino [1]	11%	September 2024 - September 2026	21,500	21,500
Jushi Europe debt [2]		March 2022	3,298	3,189
Total debt			225,592	206,357
Less: debt issuance costs and original issue discounts			(13,037)	(17,095)
Total debt, net			$ 212,555	$ 189,262
Debt, net - current portion			$ 86,514	$ 8,704
Debt, net - non-current portion			$ 126,041	$ 180,558

(1) This amount is related to the promissory notes issued to Sammartino in connection with the acquisition of Nature's Remedy in September 2021. Any repayment of principal and interest are currently on hold until the resolution of the Sammartino Matter. Refer to Note 22 - Commitments and Contingencies for more information.

(2) On February 16, 2022, Jushi Europe SA, a company organized under the laws of Switzerland ("Jushi Europe"), filed a notice of over-indebtedness with the Swiss courts. Then, the Swiss courts declared Jushi Europe's bankruptcy on May 19, 2022. As a result, Jushi Europe updated its corporate name to Jushi Europe SA in liquidation, which is still on-going. This debt balance will be adjusted, including the extinguishment of any outstanding debt, upon the final liquidation of Jushi Europe. Refer to Note 21 - Related Party Transactions for more information.

As of December 31, 2023, aggregate future contractual maturities of the Company's debt are as follows:

	2024	2025	2026	2027	2028	Total
Second Lien Notes	$ —	$ —	$ 75,497	$ —	$ —	$ 75,497
Acquisition Facility	60,125	—	—	—	—	60,125
Acquisition-related promissory notes payable	9,333	1,970	1,971	22,442	—	35,716
Mortgage loans	462	647	658	9,449	18,240	29,456
Total debt subject to scheduled repayments	$ 69,920	$ 2,617	$ 78,126	$ 31,891	$ 18,240	$ 200,794

The above table excludes the contractual maturities of the Company's (i) promissory notes payable to Sammartino and (ii) Jushi Europe debt, as the repayments of these two debts are contingent on the resolution of the Sammartino Matter and completion of the liquidation of Jushi Europe, respectively. Refer to Note 22 - Commitments and Contingencies and Note 21 - Related Party Transactions for more information. Specifically, the contractual maturities of (i) the promissory notes payable to Sammartino are as follows: $16,500 in 2024 and $5,000 in 2026 and (ii) Jushi Europe debt of $3,298 was March 2022.

(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,		
	2023	2022	2021
Interest and accretion - 10% Senior Notes	$ —	$ 23,268	$ 19,257
Interest and accretion - Second Lien Notes	10,106	578	—
Interest and accretion - Finance lease liabilities	9,784	11,154	9,158
Interest and accretion - Acquisition Facility	9,466	7,264	1,106
Interest and accretion - Promissory notes	6,173	5,518	1,802
Interest and accretion - Mortgage loans and other financing activities	2,051	567	507
Capitalized interest	(523)	(2,616)	(977)
Total interest expense	37,057	45,733	30,853
Interest income	(91)	(142)	(243)
Total interest expense, net	$ 36,966	$ 45,591	$ 30,610

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 SVS 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 13 - Derivative Liabilities for additional information.

In March, 2023, the Company, one of its wholly subsidiaries ("JMGT, LLC") and the Company's Chief Executive Officer and Chairman of the board of directors ("CEO") entered into an amendment to his 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 for 2022 in the following alternative form: (i) a lump sum cash payment in the amount of $250, which was paid on March 15, 2023, (ii) $750 aggregate principal amount of 12% second lien notes due December 7, 2026 ("Second Lien Notes"), which were issued on March 15, 2023, and (iii) fully-detached warrants to purchase up to approximately $375 worth of the Company's SVS ("Warrants"), which were issued on September 1, 2023 resulting in the issuance of Warrants to purchase 551,471 SVS at an exercise price of $0.68 per share. The fair value of the Warrants that were issued was $200, which was recorded as additional debt discount to the Second Lien Notes, with a corresponding offset to Paid-in capital within equity.

In June 2023, the Company amended its Second Lien Notes to modify the Change of Control provisions and make other changes. The consideration paid by the Company for the amendment was a repricing of the related outstanding warrants to purchase SVS of the Company from an exercise price of $2.086 per warrant to $1.00 per warrant. In addition to the repricing of the warrants, the respective warrant agreements were amended and resulted in a change in accounting classification of the respective warrants from liability to equity. The estimated value of the consideration of $1,341 was determined based on the incremental change in the fair value of the warrants before and after repricing. The consideration was recorded as additional debt discount to the Second Lien Notes with a corresponding offset to Paid-in capital. Refer to Note 13 - Derivative Liabilities for more information.

In November 2023, the Company, JMGT, LLC, and the Company's CEO entered into an amendment to his existing employment agreement (the "Second Amendment") pursuant to which the CEO agreed to receive the $100 base salary annual increase for the year 2024, and the $850 annual cash bonus for the year 2023 that would otherwise have been paid to him in the following alternative form: (i) a lump sum cash payment of $213, which was paid in November 2023, (ii) $1,150 aggregate principal amount of Second Lien Notes, which were issued in December 2023, and (iii) fully-detached warrants to purchase up to approximately $575 worth of the Company's SVS, which were issued in December 2023 resulting in the issuance of Warrants to purchase 718,750 SVS at an exercise price of $0.80 per share. The fair value of the Warrants that were issued was $191, which was recorded as additional debt discount to the Second Lien Notes, with a corresponding offset to Paid-in capital.

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.

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.

On November 10, 2023, the Company entered into a third amendment to the Acquisition Facility pursuant to which: (i) the minimum cash balance maintenance requirements in the Acquisition Facility were reduced from a fixed dollar amount to 10% of the outstanding term loans amount, which have the effect of decreasing such minimum cash balance requirement as additional scheduled amortization repayments are made on such term loans, and (ii) made certain technical and conforming changes to account for the Company's Loan Agreement with FVCBank with respect to its Manassas, VA facility. Having completed most of the improvements to the Company's Manassas, VA facility, the Acquisition Facility Amendments also set forth certain limits on the Company's use of balance sheet cash to fund future improvements to the Manassas, VA facility.

As of December 31, 2023 and 2022, unamortized discount was $2,169 and $4,363, respectively. In July 2023, the Company began making quarterly payments of $2,438, which is due on the first business day of each calendar quarter with a final payment of $50,375 due at the maturity date.

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

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 6 - Acquisitions.

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. On January 24, 2024, the Company entered into two note exchange agreements with the holders of the Apothecarium unsecured promissory notes. Refer to Note 25 - Subsequent Events for more information.

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.

Repayment of principal and interest are currently on hold until the resolution of the Sammartino Matter as discussed in greater detail in Note 22 - Commitments and Contingencies. Additionally, refer to Note 6 - Acquisitions for more information on this acquisition.

Dalitso

In November 2022, the Company issued 910,000 SVS to settle the outstanding balance relating to a $2,412 unsecured convertible promissory note.

Mortgage loans

Arlington Mortgage

In December 2021, the Company entered into a $6,900 mortgage loan agreement ("Arlington Mortgage"), which is principally secured by the Company's retail property in Arlington, Virginia. As of December 31, 2022, the Company had drawn down $5,000, and the remaining $1,900 was drawn down in January 2023. The Arlington Facility bears a fixed interest rate of 5.875% per annum, payable monthly, and will mature in January 2027.

Dickson City Mortgage

In July 2022, the Company entered into a $2,800 mortgage loan agreement (the "Dickson City Mortgage"), which is principally secured by the Company's retail property in Dickson City, Pennsylvania. The Dickson City Mortgage matures in July 2027 and bears interest at a variable rate equal to prime rate plus 2%. The interest rate as of December 31, 2023 was 10.5%.

Manassas Mortgage

In April 2023, the Company entered into a $20,000 mortgage loan agreement (the "Manassas Mortgage"), which is principally secured by the Company's cultivation and manufacturing facility located in Manassas, Virginia. The Manassas Mortgage bears interest of 9.0% per annum as of December 31, 2023, payable monthly, and will mature in April 2028. The interest rate is variable and determined based on the 30-day average secured overnight financing rate plus 3.55% with a floor rate of not less than 8.25%.

Financial covenants

Acquisition Facility

The Acquisition Facility contains certain financial and other covenants with which the Company is required to comply. As of December 31, 2023, the Company was in compliance with its financial covenants related to (i) minimum unrestricted cash and cash equivalents balance requirement and (ii) minimum quarterly revenue requirement. On February 24, 2023, February 27, 2023, and May 10, 2023, the Company was non-compliant with an affirmative covenant relating to a minimum cash deposit requirement in a specified bank account. The Company received waivers for the first two instances of non-compliance on April 17, 2023, and received a waiver for the third instance of non-compliance on May 11, 2023. Because the Company anticipated that the audit reports associated with the Company's financial statements for the years ended December 31, 2022 and December 31, 2023 would contain a going concern qualification, and such going concern qualifications would constitute non-compliance with an affirmative covenant requiring the Company to obtain auditor reports associated with its annual financial statements that do not contain a going concern qualification, the Company obtained waivers of non-compliance with the aforementioned affirmative covenant on April 17, 2023, and March 12, 2024, respectively.

Mortgage loans

The Company's three mortgage loan agreements contain certain financial and other covenants with which the Company is required to comply. As of December 31, 2023, the Company was in compliance with all financial covenants contained in each of the mortgage loan agreements.

11. 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. Due to changing demographics and business environment, the Company performed a reassessment of its previously classified real estate finance leases in June 2023 and certain real estate operating leases in September 2023. These reassessments resulted in the removal of certain option renewal periods contained in the leases as the Company is no longer reasonably certain to exercise these option renewal periods. As a result of the June 2023 reassessment, the classification of some leases were changed from finance to operating, resulting in an aggregate decrease in finance lease obligations and related right-of-use ("ROU") assets of \$45,768 and \$42,349, respectively, and an aggregate net increase in operating lease obligations and related ROU assets of \$8,691 and \$5,271, respectively. The impact of the September 2023 reassessment was an aggregate net decrease in operating lease obligations and related ROU assets of \$6,084 and \$6,084, respectively.

In connection with the change from finance to operating lease, the Company's depreciation and interest expense related to ROU assets will be lower after the change and rent expense will be higher. The expiry dates of the leases, including reasonably certain estimated renewal periods, are between 2024 and 2043. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

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,		
	2023	2022	2021
Finance lease cost:			
Amortization of lease assets	$ 5,358	$ 5,422	$ 3,155
Interest on lease liabilities	9,784	11,154	9,158
Total finance lease cost	15,142	16,576	12,313
Operating lease cost	4,819	3,402	2,585
Variable lease cost	155	390	355
Total lease cost	$ 20,116	$ 20,368	$ 15,253

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.

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

	As of December 31, 2023		As of December 31, 2022	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Weighted average discount rate	16.09 %	15.09 %	11.23 %	11.51 %
Weighted average remaining lease term (in years)	16.6	8.7	22.7	14.1
Cash paid for amounts included in the measurement of lease liabilities	$ 11,060	$ 5,168	$ 11,629	$ 3,133

The maturities of the contractual undiscounted lease liabilities as of December 31, 2023 are as follows:

	Finance Leases	Operating Leases
2024	$ 9,718	$ 5,081
2025	10,602	5,665
2026	10,494	5,428
2027	10,002	5,185
2028	10,166	4,787
Thereafter	147,970	19,833
Total undiscounted lease liabilities	198,952	45,979
Interest on lease liabilities	(137,228)	(21,425)
Total present value of minimum lease payments	$ 61,724	$ 24,554
Lease liabilities - current portion	$ 8,885	$ 4,693
Lease liabilities - non-current	$ 52,839	$ 19,861

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

12. OTHER NON-CURRENT LIABILITIES

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

	As of December 31,	
	2023	2022
Operating lease liabilities	$ 19,861	$ 15,547
Deferred tax liabilities	3,468	—
Contingent consideration liabilities	—	1,395
Other non-current liabilities	5,782	4,613
Total	$ 29,111	$ 21,555

13. DERIVATIVE LIABILITIES

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

	Total Derivative Liabilities (1)
Balance as of January 1, 2022	$ 92,435
Derivative Warrants issued (2)	23,205
Fair value changes	(91,887)
Derivative Warrants exercised and settled (3)	(9,619)
Balance as of December 31, 2022	14,134
Fair value changes	(9,589)
Reclassification to equity	(2,050)
Down-round changes	143
Balance as of December 31, 2023	$ 2,638

(1) Refer to Note 14 - Equity for the change in number of warrants outstanding.

(2) 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.

(3) 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 the Company's Second Lien Notes and its 10% senior secured notes (the "Senior Notes"). As discussed in Note 10 - Debt, in June 2023, the Company amended the warrant agreements, previously issued with the Second Lien Notes, to decrease the warrants exercise price of $2.086 per warrant to $1.00 per warrant for 17,512,280 warrants as well as certain other sections of the warrant agreement, which resulted in a change in accounting classification of the respective warrants from liability to equity. As a result of the change in classification of the warrants, the Company recorded a decrease in derivative liability of $2,050, with a corresponding increase in paid-in capital. The aforementioned repricing triggered certain down-round provision on some of the outstanding warrants previously issued with the Senior Notes (the "Senior Notes Warrants"). As part of the amendment the Company changed the warrants exercise price of $1.25 per warrant to $1.00 per warrant for 5,890,922 Senior Notes Warrants. With the change in exercise price the Company recorded an incremental change of $143 in the fair value of such Senior Notes Warrants after repricing as an increase to derivative liabilities with a corresponding offset to Other income (expense) (refer to Note 10 - Debt for additional information). The Derivative Warrants may be net share settled. As of December 31, 2023, there were 37,862,922 Derivative Warrants outstanding, which consisted of (i) 29,972,000 warrants with exercise price of $1.25 per warrants and expiration date in December 2024, (ii) 5,890,922 warrants with exercise price of $1.00 per warrant and expiration date in December 2024, and (iii) 2,000,000 warrants with exercise price of $2.086 per warrant and expiration date in December 2026. As of December 31, 2022, there were 55,375,202 Derivative Warrants outstanding, which consisted of (i) 35,862,922 warrants with exercise price of $1.25 per warrant and expiration date in December 2024, and (ii) 19,512,280 warrants with an exercise price of $2.086 per warrant and expiration date in December 2026.

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

Derivative Warrants are 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 Black-Scholes model with stock price based on the OTCQX closing price of the Derivative Warrants issue date as of December 31, 2023 and December 31, 2022.

The assumptions used in the fair value calculations as of the balance sheet dates presented include the following:

	As of December 31, 2023	As of December 31, 2022
Stock price per share	$0.46	$0.76
Risk-free annual interest rate	4.01% - 4.79%	3.99% - 4.11%
Exercise price	$1.00 - $2.086	$1.25 - $2.086
Weighted average volatility	101%	79%
Remaining life	1.00 - 2.90 years	1.98 - 3.96 years
Forfeiture rate	0%	0%
Expected annual dividend yield	0%	0%

Volatility was estimated by using a weighting of the Company’s historical volatility. 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, 2023			As of December 31, 2022		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price per share	$ 0.46	$ 637	$ (574)	$ 0.76	$ 2,529	$ (2,396)
Volatility	101 %	$ 680	$ (643)	79 %	$ 2,070	$ (2,121)

14. EQUITY

Authorized, Issued and Outstanding

The authorized share capital of the Company consists of an unlimited number of SVS, Multiple Voting Shares, Super Voting Shares and Preferred Shares. As of December 31, 2023, the Company had 196,631,598 SVS issued and outstanding and no Multiple Voting Shares, Super Voting Shares or Preferred Shares issued and outstanding.

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

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 [1]	Total Number of Warrants	Weighted - Average Exercise Price Per Warrant	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in Years)
Balance, January 1, 2022	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
Granted [2][4]	2,970,221	—	2,970,221	$ 0.63		
Cancelled [4]	(2,087,500)	—	(2,087,500)	$ 2.18		
Reclassified	17,512,280	(17,512,280)	—			
Balance, December 31, 2023	49,068,636	37,862,922	86,931,558	$ 1.12	$ —	3.0
Exercisable, December 31, 2023	46,108,636	37,862,922	83,971,558	$ 1.11	$ —	3.0

(1) In June 2023, 5,890,922 warrants were repriced from $1.25 to $1.00. Additionally, 17,512,280 warrants were reclassified from derivative liability warrants to non-derivative (equity) warrants and repriced from $2.086 to $1.00. Refer to Note 13 - Derivative Liabilities for additional information.

(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 13 - Derivative Liabilities for more information.

(4) On November 15, 2023, the Company cancelled warrants to purchase 200,000 SVS at an exercise price of $1.75 held by the Company's Chief Financial Officer, that were originally issued on December 9, 2022, and reissued warrants to purchase 200,000 SVS at an exercise price of $0.55 and an expiration date of December 17, 2028.

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,		
	2023	2022	2021
Weighted average stock price	$0.55	$1.74	$4.18
Weighted average expected stock price volatility	77%	81%	73%
Expected annual dividend yield	—%	—%	—%
Weighted average expected life of warrants	5.1 years	5.0 years	3.5 years
Weighted average risk-free annual interest rate	3.94%	3.48%	1.06%
Weighted average grant date fair value	$0.28	$1.13	$2.14

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 2019 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 5,772,327 as of December 31, 2023.

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. Such options generally expire ten years from the date of grant and generally vest ratably over three years from the grant date.

On November 15, 2023, the Company's board of directors approved a limited stock option cancellation and regrant program in which a limited number of the Company's senior management team and the Company's non-employee directors (the "Eligible Participants") could elect to cancel each stock option held with an exercise price per SVS of $3.91 or greater, and to be granted a replacement option to purchase an identical number of SVS. On November 17, 2023, the Eligible Participants cancelled a total of 3,224,000 stock options under this program, and were regranted the same number of stock options on December 17, 2023 at an exercise price of $0.55, with an expiration date of ten years from the grant date.

The following table summarizes the status of stock options and related transactions for each of the presented years:

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

	Stock Options	Weighted Average Exercise Price per Stock Options	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in Years)
Balance, January 1, 2022	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
Granted	11,507,429	$ 0.54		
Forfeited/expired	(14,606,504)	$ 3.20		
Balance, December 31, 2023	27,653,184	$ 1.40	$ —	8.2
Exercisable, December 31, 2023	12,536,225	$ 1.89	$ —	6.7

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:

	Year Ended December 31,		
	2023	2022	2021
Weighted average stock price	$0.53	$1.95	$4.16
Weighted average expected stock price volatility	76.6%	74.1%	73.0%
Expected annual dividend yield	—%	—%	—%
Weighted average expected life	5.9 years	5.7 years	6.0 years
Weighted average risk-free annual interest rate	3.81%	2.88%	1.23%
Weighted average grant date fair value	$0.30	$1.35	$2.61

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 estimated based on the SVS price at grant date. The following table summarized the status of 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, 2022	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
Cancelled	(54,774)	$ 2.43		
Vested and Released	(1,099,684)	$ 2.45	$ 526	
Issued and Outstanding as of December 31, 2023	1,861	$ 4.05	$ 1	0.7

Share-based compensation cost

The Company recorded share-based compensation costs related to previously issued stock options, restricted stocks and compensatory warrants totaling $8,092, $23,073 and $14,506 for the years ended December 31, 2023, 2022 and 2021, respectively, and are included in selling, general and administrative operating expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

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

As of December 31, 2023, the Company had $5,203 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 1.2 years as follows:

2024	$ 4,063
2025	904
2026	217
2027	19
	$ 5,203

Other Equity

Refer to Note 10 - Debt for details of a convertible promissory note classified as equity in relation to Dalitso.

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

15. NON-CONTROLLING INTEREST

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

	Jushi Europe	Agape	Other Non-material Interests	Total
Balance as of January 1, 2021	$ 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)
Balance as of December 31, 2023	$ (1,387)	$ —	$ —	$ (1,387)

Jushi Europe

The Company's non-controlling interests as of December 31, 2023 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.

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

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.

16. EARNINGS (LOSS) PER SHARE

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

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net income (loss) and comprehensive income (loss) attributable to Jushi shareholders	$ (65,102)	$ (202,324)	$ 20,251
Dilutive effect of net income from derivative warrants	—	(91,887)	(104,594)
Net income (loss) and comprehensive loss attributable to Jushi shareholders - diluted	$ (65,102)	$ (294,211)	$ (84,343)
Denominator:			
Weighted-average shares of common stock - basic	194,770,212	190,021,550	170,292,035
Dilutive effect of derivative warrants	—	14,213,882	31,318,216
Weighted-average shares of common stock - diluted	194,770,212	204,235,432	201,610,251
Earnings (loss) per share - basic	$ (0.33)	$ (1.06)	$ 0.12
Earnings (loss) per share - diluted	$ (0.33)	$ (1.44)	$ (0.42)

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 14 - 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 earnings (loss) per share, but were excluded from consideration in the computation of diluted net earnings (loss) per share for the years ended December 31, 2023, 2022 and 2021 because the impact of including them would have been anti-dilutive:

	As of December 31,		
	2023	2022	2021
Stock options	28,783,139	30,752,259	20,429,120
Warrants (derivative liabilities and equity)	85,575,031	30,673,635	29,156,048
Unvested restricted stock awards	368,711	1,156,319	2,859,151
Convertible promissory notes	—	—	910,000
	114,726,881	62,582,213	53,354,319

17. REVENUE

The Company has three revenue streams: (i) retail, (ii) wholesale and (iii) other. The Company's retail revenues are comprised of cannabis sales from its dispensaries. The Company's wholesale revenues are comprised of cannabis sales to its wholesale customers for resale through their dispensaries. The Company's other operations primarily include the Company's hemp/cannabidiol ("CBD") retail operations which were discontinued in 2022. Any intercompany revenue and costs 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,		
	2023	2022	2021
Retail cannabis	$ 239,351	$ 261,016	$ 195,085
Wholesale cannabis	30,094	23,160	13,792
Other	—	108	415
Total revenue, net	$ 269,445	$ 284,284	$ 209,292

18. OPERATING EXPENSES

The major components of operating expenses are as follows:

	Year Ended December 31,		
	2023	2022	2021
Salaries, wages and employee related expenses	$ 56,483	$ 71,237	$ 58,228
Rent and related expenses	11,789	13,162	9,722
Depreciation and amortization expense	10,656	12,724	5,805
Share-based compensation expense	8,092	23,073	14,506
Professional fees and legal expenses	7,732	10,371	6,507
Goodwill impairment	7,329	39,643	1,783
Indefinite-lived intangible asset impairment	845	111,515	—
Tangible long-lived asset impairment	400	8,487	4,561
Other expenses (1)	15,720	25,599	18,047
Total operating expenses	$ 119,046	$ 315,811	$ 119,159

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

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

19. OTHER INCOME (EXPENSE)

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

	Year Ended December 31,		
	2023	2022	2021
Gains (losses) on investments and financial assets	$ (777)	$ (523)	$ 1,216
Losses on debt redemptions/extinguishments/modifications	—	(18,858)	(3,815)
Gains (losses) on legal settlements	(400)	24	10,350
Other gains (losses)	(1,924)	(482)	558
Other income (expense), net	$ (3,101)	$ (19,839)	$ 8,309

20. INCOME TAXES

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

	Year Ended December 31,		
	2023	2022	2021
Current tax expense:			
Federal	$ 27,303	$ 26,738	$ 25,501
State	3,608	7,783	9,234
	30,911	34,521	34,735
Deferred tax benefit:			
Federal	2,281	(17,780)	(5,477)
State	(1,386)	(8,332)	(1,724)
Foreign	(5,554)	(5,969)	(3,874)
	(4,659)	(32,081)	(11,075)
Change in valuation allowance	5,554	6,008	5,965
Total income tax expense	$ 31,806	$ 8,448	$ 29,625

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:

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

	Year Ended December 31,		
	2023	2022	2021
Income (loss) before income taxes	$ (33,296)	$ (193,876)	$ 47,104
Statutory tax rate	21.00 %	21.00 %	21.00 %
Tax expense (benefit) based on statutory rates	(6,992)	(40,714)	9,892
Difference in tax rates	(4,463)	2,500	16,753
Gain on fair value of derivative	(4,564)	(44,106)	(50,482)
IRC Section 280E disallowed expenses	10,862	43,272	12,520
Share-based compensation	173	10,509	2,361
Interest expense and debt costs	458	13,718	3,616
Deemed interest income	842	—	—
Tax interest and penalties	383	—	—
Change in valuation allowance	5,554	6,008	5,965
State taxes, net	33	1,698	1,249
Change in uncertain tax positions	24,888	8,618	26,823
Change in state tax rates	(474)	(2,557)	—
Impairment expense	1,539	8,289	—
Return to provision	2,786	—	—
Difference in foreign deferred and statutory tax rate	348	—	—
Contingent consideration	311	—	—
Other differences	122	1,213	928
Total income tax expense	$ 31,806	$ 8,448	$ 29,625
Effective tax rate	(95.5)%	(4.4)%	62.9 %

The Company’s income tax payable of $5,190 as of December 31, 2023 included deferral of certain 2023 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, 2023, 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, 2023	Year Ended December 31, 2022
Deferred tax assets:		
Lease liability	$ 17,760	$ 24,328
Net operating losses	22,661	16,819
Financing fees	830	1,487
Start-up costs	603	661
Share-based compensation	817	—
Interest carryforward	563	—
Inventory	419	1,555
Property and equipment	1,149	—
Other deferred tax assets	1,314	619
Valuation allowance	(22,951)	(17,397)
	$ 23,165	$ 28,072
Deferred tax liabilities:		
Right-of-use assets	$ (18,414)	$ (21,865)
Intangible assets	(5,211)	(5,235)
Property and equipment	—	(693)
Other deferred tax liabilities	(235)	(80)
	$ (23,860)	$ (27,873)
Net deferred tax asset (liabilities) [(1)]	$ (695)	$ 199

[(1)] Net deferred tax assets are included in other non-current assets while net deferred tax liabilities are included in other non-current 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, 2023 and 2022.

As of December 31, 2023, the Company had $71,706 of non-capital Canadian losses, $1,560 of capital Canadian losses, $8,177 of other foreign losses, $56,881 of state net operating losses which expire in 2032-2044. The Company has not recorded $31,270 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: $71,706 for non-capital Canadian losses, $1,560 for capital Canadian losses, $8,177 for other foreign losses, $1,840 for state net operating losses.

Due to its cannabis operations, 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, and in 2023, Illinois 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. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income which provides for effective tax rates that are well in excess of statutory tax rates. In connection with the preparation and filing of the fiscal 2022 federal income tax return, the Company changed its previous application of 280E to exclude certain parts of its business. However, since the Company's new tax position on 280E may be challenged by the IRS, the Company elected to treat the deductibility of these related expenses as an uncertain tax position. As of December 31, 2023, the balances in income tax payable and unrecognized tax benefits on the consolidated balance sheets include the impact of the new tax position on 280E, which decreased current liabilities with a corresponding increase in non-current liabilities. There was no material impact to the consolidated statements of operations and comprehensive income (loss).

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

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 a liability for unrecognized tax benefits of $100,343 and $57,200 as of December 31, 2023 and 2022, respectively, inclusive of interest and penalties. Additionally, there are unrecognized deferred tax benefits of $17,303 and $3,412 as of December 31, 2023 and 2022, respectively. The Company anticipates that it is reasonably possible that its new tax position on 280E may require changes to the balance of unrecognized tax benefits within the next 12 months. However, an estimate of such changes cannot reasonably be made.

The total amount of interest and penalties related to the liability for unrecognized tax benefits recorded in income tax expense for the year ended December 31, 2023 were $6,676 and $0, respectively. The total amount of interest and penalties related to the liability for unrecognized tax benefits recorded within income tax expense for the year ended December 31, 2022, was $2,907 and $4,783, respectively. The total amount of interest and penalties related to the liability for unrecognized tax benefits recorded within income tax expense for the year ended December 31, 2021, was $643 and $2,742.

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

Balance at January 1, 2022	$	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 to the prior year		(127)
Additions for tax positions of prior years recorded to goodwill		5,982
Balance at December 31, 2022	$	48,258
Reductions based on lapse of statute of limitations		(1,946)
Additions based on tax positions related to the current year		19,843
Additions based on tax positions related to the prior year		38,470
Balance at December 31, 2023	$	104,625

(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,	
	2023	2022	2021	2023	2022
Nature of transaction	Related Party Income (Expense)			Related Party Receivable (Payable)	
Management services agreements [1]	$ —	$ —	$ (42)	$ —	$ —
Senior Notes - interest expense and principal amount [2]	$ —	$ (26)	$ (4)	$ —	$ —
Second Lien Notes - interest expense and principal amount [3]	$ (2,223)	$ (138)	$ —	$ (19,788)	$ (17,491)
Other debt [4]	$ —	$ —	$ —	$ (3,298)	$ (3,189)
Loans to senior key management - interest income [5]	$ —	$ —	$ 90	$ —	$ —

(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 the year ended December 31, 2022 and 2021 cannot be reliably determined as the majority of the Senior Notes were publicly traded.

(3) For the year ended December 31, 2023 and 2022, the Second Lien Notes payable and the related interest expense includes amounts related to certain senior key management as well as a significant investor. See Note 10 - Debt for information about the issuance of these notes.

(4) Other debt relates to Jushi Europe. On February 16, 2022, Jushi Europe filed a notice of over-indebtedness with the Swiss courts. Then, the Swiss courts declared Jushi Europe's bankruptcy on May 19, 2022. As a result, Jushi Europe updated its corporate name to Jushi Europe SA in liquidation, which is still on-going. Refer to Note 15 - Non-Controlling Interest for more information.

(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, 2023, 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 20 - Income Taxes for certain tax-related contingencies.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2023, except as set forth below, 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 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.

MJ Market Matter

On March 31, 2023, MJ's Market, Inc. ("MJ's") filed a complaint in federal district court in Massachusetts adverse to Jushi Holdings Inc. and certain 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. MJ is seeking legal and equitable remedies including compensatory and other damages. The Company disputes such allegations, believes it has substantial defenses and is vigorously defending against the Complaint.

Sammartino Matter

On February 28, 2023, the Company informed Sammartino, the former owner of Nature's Remedy and certain of its affiliates, that Sammartino had breached several provisions of 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.

Pacific Collective Matter

On October 24, 2022, Pacific Collective, LLC ("Pacific Collective") filed a complaint in state court in California against Jushi subsidiaries TGS CC Ventures, LLC ("TGS"), and Jushi Inc. Pacific Collective alleges that the Jushi subsidiaries breached a commercial property lease and lease guaranty and that Pacific Collective is entitled to recover in excess of $20,000 in damages. TGS believes it lawfully rescinded the lease based on Pacific Collective's failure to purchase the property that was the subject of the lease and to construct and deliver the building contemplated by the lease, and is of the position that no damages are owed to Pacific Collective. Refer to Note 25 - Subsequent Events for updated information on this matter.

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

Refer to Note 15 - Non-Controlling Interest for the information regarding the bankruptcy of Jushi Europe.

Commitments

In addition to the contractual obligations outlined in Note 10 - Debt and Note 11 - Leases, the Company has the following commitments as of December 31, 2023:

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 $677, $1,030 and $616 for the years ended December 31, 2023, 2022 and 2021, respectively.

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, 2023	As of December 31, 2022
Financial assets: [(1)]		
Equity investment [(2)]	$ 200	$ 977
Total financial assets	$ 200	$ 977
Financial liabilities: [(1)]		
Derivative liabilities [(3)]	$ 2,638	$ 14,134
Contingent consideration liabilities [(4)]	817	4,793
Total financial liabilities	$ 3,455	$ 18,927

(1) The Company has no financial assets or liabilities in Level 1 or 2 within the fair value hierarchy as of December 31, 2023 and 2022, and there were no transfers between hierarchy levels during the years ended December 31, 2023 and 2022.

(2) The Company adjusted its equity investment carrying value as of December 31, 2023 and 2022 to reflect its equity balance of the investee, resulting in the recording of a loss on investment of $777 and $523 during the years ended December 31, 2023 and 2022, respectively. The loss on investment is included within other income (expense), net in the consolidated statements of operations and comprehensive income (loss).

(3) Refer to Note 13 - Derivative Liabilities

(4) Refer to Note 6 - 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, 2023 and 2022, 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, 2023 and 2022, respectively.

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, 2023, 2022 and 2021.

As of December 31, 2023, one customer represented 19% of the Company's total accounts receivable balance. As of December 31, 2022, one customer represented 10% of the Company's total accounts receivable balance.

For the year ended December 31, 2023, the Company made inventory purchases of 19% from one vendor. For each year ending December 31, 2022 and 2021, approximately 37% and 36%, respectively, of the Company's inventory purchases were purchased from its two largest vendors.

There were no single vendor that amounted to more than 10% of the Company's accounts payable and accrued expenses as of December 31, 2023 and 2022.

25. SUBSEQUENT EVENTS

Debt Exchange

On January 24, 2024, the Company entered into two Note Exchange Agreements with holders of approximately $9,850 of the Company's unsecured debt (the "Existing Notes"). Upon closing of the transactions contemplated in the Note Exchange Agreements on February 6, 2024, the holders of the Existing Notes delivered the Existing Notes to the Company for cancellation, and the Company: (1) issued to certain direct and beneficial holders of the Existing Notes an aggregate of $4,750 principal amount of Second Lien Notes; (2) issued to certain direct and beneficial holders of the Existing Notes fully-detached warrants to purchase an aggregate of 1,800,000 of the Company's SVS, with each warrant having an exercise price of $1.00 per SVS and an expiration of December 7, 2026; and (3) paid to the direct holders of the Existing Notes an aggregate of $2,750 in cash.

Pacific Collective Matter

On October 24, 2022, Pacific Collective filed a complaint in state court in California against TGS and Jushi Inc. alleging that TGS breached a commercial property lease. The Referee assigned to the matter delivered a Statement of Decision on March 7, 2024 ruling in favor of TGS and Jushi.