CURALEAF HOLDINGS, INC.

Unaudited Condensed Interim Consolidated Financial Statements
As of and for the Three Months Ended
March 31, 2020 and 2019

(Expressed in United States Dollars Unless Otherwise Stated)

Curaleaf Holdings, Inc.
Condensed Interim Consolidated Statements of Financial Position
Unaudited
(in thousands)

	Note	March 31, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		$ 176,355	$ 42,310
Accounts receivable	*3*	26,201	18,335
Inventory, net	*5*	104,007	63,210
Biological assets	*6, 18*	27,062	19,197
Prepaid expenses and other current assets		7,995	6,479
Total current assets		341,620	149,531
Deferred tax asset		2,687	2,628
Notes receivable	*7*	71,765	57,166
Property, plant and equipment, net	*8*	157,871	129,812
Right-of-use assets	*16*	87,888	82,794
Intangible assets, net	*9*	392,342	185,635
Goodwill	*9*	181,465	69,326
Investments	*4*	51,209	51,209
Other assets		9,906	8,825
Total assets		$ 1,296,753	$ 736,926
Liabilities and shareholders’ equity			
Current liabilities:			
Accounts payable		$ 18,501	$ 12,742
Accrued expenses		32,516	18,016
Income tax payable		32,232	15,114
Current portion of lease liability	*16*	13,052	11,835
Current portion of notes payable	*4, 10*	9,500	17,000
Current contingent consideration liability	*17*	18,000	—
Other current liabilities	*18*	656	31,549
Total current liabilities		124,457	106,256
Deferred tax liability		79,260	22,642
Notes payable	*10*	272,015	87,953
Lease liability	*2,16*	87,147	81,319
Non-controlling interest redemption liability	*4, 18*	2,694	2,694
Contingent consideration liability	*4, 17*	64,264	32,616
Total liabilities		629,837	333,480
Shareholders’ equity:			
Share capital		983,522	693,699
Treasury shares		(5,208)	(5,208)
Reserves		(159,430)	(146,819)
Accumulated deficit		(147,999)	(132,910)
Total Curaleaf Holdings, Inc. shareholders' equity	*11*	670,885	408,762
Redeemable non-controlling interest	*4*	(2,694)	(2,694)
Non-controlling interest	*4*	(1,275)	(2,622)
Total shareholders’ equity		666,916	403,446
Total liabilities and shareholders’ equity		$ 1,296,753	$ 736,926

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

Curaleaf Holdings, Inc.
Condensed Interim Consolidated Statements of Profits and Losses
Unaudited
(in thousands, except for share and per share amounts)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenues:			
Retail and wholesale revenues		$ 77,055	$ 27,768
Management fee income		19,441	7,483
Total revenues		96,496	35,251
Cost of goods sold		44,013	17,144
Gross profit before impact of biological assets		52,483	18,107
Realized fair value amounts included in inventory sold		(21,191)	(10,355)
Unrealized fair value gain on growth of biological assets	*6*	36,747	12,601
Gross profit		68,039	20,353
Operating expenses:			
Selling, general and administrative	*13*	45,857	23,268
Share-based compensation	*12*	4,501	1,782
Depreciation and amortization	*8,9*	12,688	4,895
Total operating expenses		63,046	29,945
Income (loss) from operations		4,993	(9,592)
Other income (expense):			
Interest income		2,846	2,483
Interest expense	*10*	(10,492)	(4,164)
Interest expense related to lease liabilities	*16*	(2,158)	(967)
Other income (expense)	*10*	2,608	(26)
Total other expense		(7,196)	(2,674)
Loss before provision for income taxes		(2,203)	(12,266)
Income tax expense (benefit)		(13,249)	1,438
Net loss and comprehensive loss		(15,452)	(10,828)
Less: Net loss attributable to non-controlling interest		(363)	(619)
Net loss attributable to Curaleaf Holdings, Inc.		$ (15,089)	$ (10,209)
Loss per share attributable to Curaleaf Holdings, Inc. – basic and diluted	*14*	$ (0.03)	$ (0.02)
Weighted average common shares outstanding – basic and diluted	*14*	507,700,498	453,559,765

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

Curaleaf Holdings, Inc.
Condensed Interim Consolidated Statements of Changes in Equity
Unaudited
(in thousands, except for share amounts)

	Share Capital (Note 11) # of Shares SVS	MVS	Amount	Treasury Shares (Note 11)	Share-Based Reserves (Note 12)	Other Reserves (Note 4)	Total Reserves	Accumulated Deficit	Total Curaleaf Holdings, Inc. Shareholders' Equity	Redeemable Non - Controlling Interest Contingency (Note 4)	Non-Controlling Interest (Note 4)	Redeemable Non-Controlling Interest (Note 4)	Total Shareholders' Equity
Balances as of December 31, 2018	335,292,331	122,170,705	$ 657,525	$ (4,325)	$ 6,698	$ (153,459)	$ (146,761)	(65,666)	$ 440,773	$ (2,957)	$ —	$ (2,174)	$ 435,642
Repurchase of shares	(70,100)	—	—	(338)	—	—	—	—	(338)	—	—	—	(338)
Exercise of stock options	904,500	—	389	—	(130)		(130)	—	259	—	—	—	259
Share-based compensation	—	—	—	—	1,782	—	1,782	—	1,782	—	—	—	1,782
Net loss	—	—	—	—	—	—	—	(10,209)	(10,209)	—	—	(619)	(10,828)
Balances as of March 31, 2019	336,126,731	122,170,705	$ 657,914	$ (4,663)	$ 8,350	$ (153,459)	$ (145,109)	$ (75,875)	$ 432,267	$ (2,957)	$ —	$ (2,793)	$ 426,517
Balances as of December 31, 2019	366,114,366	103,970,705	$ 693,699	$ (5,208)	$ 20,517	$ (167,336)	$ (146,819)	$ (132,910)	$ 408,762	$ (2,694)	$ 2,156	$ (4,778)	$ 403,446
Issuance of shares in connection with acquisitions	50,100,504	—	262,727	—	—	—	—	—	262,727	—	—	—	262,727
Minority Buyouts	3,788,920	—	25,752	—	—	(16,490)	(16,490)	—	9,262	—	—	1,710	10,972
Exercise of stock options	3,543,496	—	1,344	—	(622)	—	(622)	—	722	—	—	—	722
Share-based compensation	—	—	—	—	4,501	—	4,501	—	4,501	—	—	—	4,501
Net income (loss)	—	—	—	—	—	—	—	(15,089)	(15,089)	—	(356)	(7)	(15,452)
Balances as of March 31, 2020	423,547,286	103,970,705	$ 983,522	$ (5,208)	$ 24,396	$ (183,826)	$ (159,430)	$ (147,999)	$ 670,885	$ (2,694)	$ 1,800	$ (3,075)	$ 666,916

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

Curaleaf Holdings, Inc.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited
(in thousands)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows from operating activities:		
Net loss	$ (15,452)	$ (10,828)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	14,906	5,895
Share-based compensation	4,501	1,782
Non-cash interest expense	229	1,588
Unrealized gain on changes in fair value of biological assets	(36,747)	(12,601)
Increase in biological asset due to capitalized costs	21,191	(5,558)
(Gain)/loss on sale of property, plant and equipment	(418)	575
Deferred taxes	1,935	1,020
Changes in operating assets and liabilities		
Accounts receivable	2,877	(1,207)
Biological assets	7,691	17,224
Inventory	(18,724)	(5,957)
Prepaid expenses and other current assets	715	455
Other assets	291	(1,067)
Accounts payable	(1,301)	2,128
Income taxes payable	13,249	(2,323)
Accrued expenses	3,422	(7,732)
Net cash used in operating activities	(1,635)	(16,606)
Cash flows from investing activities:		
Purchases of property and equipment	(22,687)	(18,395)
Payments made on completion on acquisitions	(7,500)	(23,214)
Net assets acquired from acquisitions, net of cash acquired	—	(5,192)
Amounts advanced for notes receivable	(14,599)	(29,482)
Net cash used in investing activities	(44,786)	(76,283)
Cash flows from financing activities:		
Proceeds from senior unsecured notes		
Cash received from financing agreement	185,723	—
Minority buyouts	(2,508)	—
Lease liability payments	(3,470)	(1,031)
Repurchase of common stock	—	(338)
Exercise of stock options	721	259
Net cash provided by (used in) financing activities	180,466	(1,110)
Net change in cash	134,045	(93,999)
Cash at beginning of period	42,310	266,616
Cash at end of period	176,355	172,617
Supplemental disclosure of cash flow information:		
Cash paid for interest	8,342	2,248
Supplemental disclosure of non-cash investing and financing activities:		
Recognition of right of use assets and lease liabilities	—	42,842
Issuance of shares in connection with minority buyouts	13,480	—
Issuance of shares in connection with acquisitions	260,480	—
Contingent consideration incurred in connection with acquisitions	49,804	—
Other liability incurred in connection with acquisition	—	1,852

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

Note 1 – Operations of the company

Curaleaf Holdings, Inc. (the "Company", "Curaleaf", or the "Group"), formerly known as Lead Ventures, Inc. ("LVI"), was incorporated under the laws of British Columbia, Canada on November 13, 2014. Curaleaf operates as a life science company developing full scale cannabis operations, with core competencies in cultivation, manufacturing, dispensing and medical cannabis research.

On October 24, 2018 the Company completed a reverse takeover transaction and private placement. Following the transaction, the Company's subordinate voting shares ("SVS") were listed on the Canadian Securities Exchange ("CSE") under the symbol "CURA" and on the OTCQX under the symbol "CURLF".

The head office and principal address of the Company is 301 Edgewater Place #405, Wakefield, MA 01880. The Company's registered and records office address is located at Suite 1700-666 Burrard Street, Vancouver, British Columbia, Canada.

For the purposes of these unaudited condensed interim consolidated financial statements, the terms "Company" and "Curaleaf" mean Curaleaf Holdings, Inc. and, unless the context otherwise requires, includes its subsidiaries. Any references to the cultivation, processing, manufacturing, extraction, retail operations, dispensing or distribution of cannabis, logistics or similar terms specifically relate only to our state-licensed subsidiary entities. Operations of the licensed subsidiary entities are dependent on each entity's license type, and the applicable state law and associated regulations.

Note 2 – Basis of presentation

The unaudited condensed interim consolidated financial statements have been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting. The Company followed the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2019. The interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on May 16, 2020.

Functional currency

The Company and its subsidiaries' functional currency, as determined by management, is the United States ("U.S.") dollar. The consolidated financial statements are presented in U.S. dollars unless otherwise stated.

Basis of consolidation

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and is exposed to the variable returns from its activities. The financial statements of affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its direct subsidiaries, indirect subsidiaries that are not wholly owned, and other entities consolidated other than on the basis of ownership:

(in thousands, except for gram, share and per share amounts)

Business name	State of operations	March 31, 2020 ownership %	December 31, 2019 ownership %
CLF AZ, Inc.	AZ	100%	100%
CLF NY, Inc.	NY	100%	100%
Curaleaf CA, Inc.	CA	100%	100%
Curaleaf KY, Inc.	KY	100%	100%
Curaleaf Massachusetts, Inc.	MA	100%	100%
Curaleaf MD, LLC	MD	100%	100%
Curaleaf OGT, Inc.	OH	100%	100%
Curaleaf PA, LLC	PA	100%	100%
Curaleaf, Inc.	MA	100%	100%
Focused Investment Partners, LLC	MA	100%	100%
PalliaTech Maine, Inc.	ME	100%	100%
PalliaTech RI, LLC	RI	100%	100%
PalliaTech CT, Inc.	CT	100%	100%
PalliaTech OR, LLC (formerly Groen)	OR	100%	100%
PalliaTech Florida, Inc.	FL	100%	100%
PalliaTech Florida, LLC	FL	88.6%	77.2%
Curaleaf Florida, LLC	FL	92%	70%
CLF MD Processing, LLC	MD	100%	100%
PT Nevada, Inc. (Note 4)	NV	100%	100%
CLF Sapphire Holdings, Inc. (Note 4)	OR	100%	—
HMS Health LLC (Note 4)	MD	—	—
HMS Processing LLC (Note 4)	MD	—	—
HMS Sales LLC (Note 4)	MD	—	—
MI Health LLC (Note 4)	MD	—	—
Town Center Wellness, LLC (Note 4)	MD	—	—

All intercompany balances and transactions were eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. Except as described below, the significant judgments, estimates and assumptions made by management in preparing the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 were the same as those that applied to the annual audited consolidated financial statements.

Biological assets

Biological assets are dependent upon estimates of future economic benefits as a result of past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. The Company uses the average selling price per gram in the market in which the biological assets are produced to determine fair value. The Company reevaluates market prices on a quarterly basis in order to ensure biological assets are measured at the most relevant fair value.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with *IFRS 9 – Financial Instruments* with the corresponding gain or loss being recognized in the consolidated statement of profits and losses. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, not to exceed one year from the acquisition date.

Share-based payment arrangements

The Company uses the Black-Scholes valuation model to determine the fair value of options granted to employees and directors under share-based payment arrangements, where appropriate. In instances where stock options have performance or market conditions, the Company utilized the Monte Carlo valuation model to simulate the various outcomes that affect the value of the option. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company’s future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Accounts receivable

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The valuation of allowances for uncollectible trade receivables requires assumptions including estimated credit losses based on customer history, industry concentrations, and the Company’s knowledge of the financial conditions of its customers. Uncertainty relates to the actual collectability of customer balances that can vary based on management's estimates and judgment.

New, amended and future IFRS pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(in thousands, except for gram, share and per share amounts)

Amendment to IFRS 3: Definition of a Business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)" (the "IFRS 3 Amendment"). The IFRS 3 Amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The IFRS 3 Amendment provides an assessment framework to determine when a series of integrated activities is not a business. The IFRS 3 Amendment is effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, however early application is permitted. The Company elected early application of the IFRS 3 Amendment and elects whether to apply, or not apply, the test to each transaction separately. The Company applies IFRS 3 based on whether a single asset is a significant percentage of the total assets acquired.

IAS 1: Presentation of Financial Statements & IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued *"Definition of Material"*, an amendment to *IAS 1 – Presentation of Financial Statements* and *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify the definition of material and to align the definition used in the Conceptual Framework and the standards themselves. Materiality is defined as "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." This amendment is effective for the annual period beginning January 1, 2020.

The following is a brief summary of the new standards issued but not yet effective:

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current ("Amendments to IAS 1"). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract ("Amendments to IAS 37") amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

Note 3 – Accounts receivable

Accounts receivable consist of the following:

	March 31, 2020	December 31, 2019
Trade accounts receivable	$ 24,836	$ 17,339
Other receivables	1,365	996
Total trade and other receivables, net of allowance	$ 26,201	$ 18,335

(in thousands, except for gram, share and per share amounts)

Note 4 – Acquisitions

A summary of acquisitions completed during the three months ended March 31, 2020 and the year ended December 31, 2019 is provided below:

Purchase price allocation		Three months ended March 31, 2020 Cura (2)
Assets acquired:		
Cash	$	12,555
Accounts receivable, gross		23,212
Allowance for doubtful accounts		(14,696)
Prepaid expenses and other current assets		2,232
Inventory		22,074
Property, plant and equipment, net		9,061
Right-of-use assets		9,627
Other assets		760
Intangible assets :		
Licenses		124,120
Trade name		27,590
Service agreements		57,380
Non-compete agreements		4,770
Goodwill		112,301
Deferred tax liabilities		(54,624)
Liabilities assumed		(34,016)
Consideration transferred	**$**	**302,346**

	2019 Acquisitions							
Purchase price allocation	**Acres (2)**	**Glendale (1)**	**Phyto (1)**	**Emerald (1)**	**Eureka (1)**	**Blackjack (1)**	**HMS (1)**	**Elevate (1)**
Assets acquired:								
Cash	$ 478	$ 330	$ 37	$ 747	$ 490	$ 120	$ 501	$ 101
Accounts receivable	884	92	—	188	82	—	1,052	—
Prepaid expenses and other current assets	114	21	143	253	876	—	211	53
Inventory	3,812	422	103	724	587	333	414	93
Biological assets	567	—	—	—		—	—	—
Property, plant and equipment	5,994	1,407	—	103	357	—	—	68
Other assets	45	107	—	15	—	—	—	—
Intangible assets :								
Licenses	22,340	17,060	7,424	15,970	35,253	7,187	32,775	1,937
Trade name	370	—	—	—	—	—	—	—
Non-compete agreements	700	—	—	—	—	—	—	—
Goodwill	17,471	—	—	—	—	—	—	—
Deferred tax liabilities	—	—	—	—	—	—	—	—
Liabilities assumed	(5,178)	(660)	(38)	—	(1,284)	(915)	(2,654)	(151)
Non-controlling interest	—	—	—	—	—	(2,156)	—	—
Consideration transferred	**$ 47,597**	**$ 18,779**	**$ 7,669**	**$ 18,000**	**$ 36,361**	**$ 4,569**	**$ 32,299**	**$ 2,101**

(1) Acquisition accounted for as an asset acquisition with the application of the IFRS 3 Amendment.
(2) Acquisition accounted for as a business combination under IFRS 3.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, not to exceed one year from the acquisition date.

Goodwill arising from acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company’s existing commercial infrastructure to expand sales.

2020 acquisitions

Cura Partners, Inc., an Oregon corporation (“Cura” or “Select”)

On February 1, 2020, the Company completed the acquisition of Select through the Company’s subsidiary CLF Sapphire Holdings, Inc. The acquisition included Select's manufacturing, processing, distribution, and marketing operations and all adult-use and medical cannabis products marketed under the Select brand name, including all intellectual property (the “Cura Transaction”).

Due to changes in market conditions, Curaleaf and Select mutually agreed on October 30, 2019 to reduce the base consideration payable upon closing of the Cura Transaction. Under the amended and restated merger agreement (the "Amended Merger Agreement"), the number of SVS payable at closing (“Closing Shares”) of the Cura Transaction was 48,275,476 with an additional 3,074,149 SVS to be held in escrow until the 18 month anniversary of the closing date (“Escrow Shares”). The fair value of the Closing Shares was $251,911 and the fair value of the Escrow Shares was $17,381. There is an additional 52,495,584 SVS to be payable to Select equity holders contingent upon Curaleaf achieving certain calendar year 2020 revenue targets based on Select-branded extract sales beginning at a target of $130,000 with maximum achievement at $250,000. The fair value of the Contingent Shares was $32,423. In addition, Select equity holders will also be eligible to receive an earn-out of up to $200,000 from the issuance of additional SVS, contingent upon Curaleaf exceeding $300,000 in calendar year 2020 revenue for Select-branded extract sales. The contingent consideration related to Cura had a fair value of $32,423. There were 2 dissenting Select shareholders who were to receive $631 cash. This cash was paid in April 2020.

Revenue and net loss from Cura Partners included in the consolidated statement of profits and losses for the three months ended March 31, 2020 was $12,988 and $3,998, respectively.

2019 acquisitions

HMS Health LLC (“HMS”), HMS Processing LLC, MI Health LLC, and HMS Sales LLC, HMS Health LLC, all Maryland limited liability companies (the “HMS Companies”)

In January 2019, the Company completed the acquisition of the HMS Companies which concluded as a $30,000 convertible financing. Prior to funding, HMS spun off its cannabis processing license and cannabis dispensing license into separate entities, HMS Processing LLC and HMS Sales LLC, respectively. There was an additional adjustment of $447 upon closing as part of the agreement. The loans, together with accrued interest, are convertible into equity of each of the HMS Companies upon receipt of all required regulatory approvals. In addition, the owners of the HMS Companies will receive additional consideration of $2,000 in SVS at the then-current market price upon completed conversion of the loans. The Company recorded a liability of $1,852 for the additional consideration.

Town Center Wellness, LLC, dba Elevate Takoma, a Maryland limited liability company (“Elevate”)

In January 2019, the Company paid $2,101 cash for an option to acquire the license associated with Elevate, a dispensary located in Takoma Park, MD.

Naturex II, LLC, dba Blackjack Collective, a Nevada limited liability company (“Blackjack”)

In October 2017, the Company entered into an agreement to acquire 51.2% of Blackjack by purchasing a 64% interest in VSLV Management, a related party, which owned 80% of Blackjack. The purchase price was in the form of 4,105,988 SVS valued at $3,001. The Company issued these shares of Curaleaf Holdings, Inc. into escrow for release to the members of VSLV Management upon regulatory approval of the transaction. In January 2019, the Company entered into an agreement to acquire an additional 18% of Blackjack from minority owners for cash consideration of $1,260. Furthermore, in October 2019, the Company entered into an agreement to acquire the remaining interests in VSLV Management for the issue of 286,246 additional SVS upon closing of the transaction.

The Company's total controlling ownership in Blackjack as of April 1, 2019, the date it took control of Blackjack, was 69.2%. The Company recognized the residual 30.8% of unowned membership interest as a $2,156 non-controlling interest in equity. As a result of its agreement to acquire the remaining interest in VSLV Management, the Company's controlling ownership interest was increased to 98% as of October 11, 2019. An additional $308 of payables due to the Company that were effectively forgiven as part of the purchase price.

EC Investment Partners, LLC, a Nevada limited liability company ("Eureka")

In April 2019, the Company acquired all of the membership interests of Eureka. Total consideration of $36,361 consisted of $5,608 in cash, settlement of $5,000 of debt owed to the Company, and $14,239 settled through the issuance of 1,663,511 SVS. In addition, the sellers may be entitled to additional consideration in the form of additional SVS based on the excess of Eureka's EBITDA for the twelve-month period starting July 1, 2019 above $5,000. The Company recorded contingent consideration of $11,514 associated with the contingent consideration.

Absolute Healthcare, Inc. dba Emerald Dispensary, an Arizona non-profit corporation ("Emerald")

In May 2019, the Company acquired exclusive rights to operate the Emerald dispensary in Gilbert, AZ, whose license is held by Absolute Healthcare, Inc. Total consideration for the transaction was $18,000, of which $10,000 in cash was paid upfront, $5,000 was paid in cash in January 2020, and $3,000 is payable 12 months after the closing. The notes payable associated with the remaining amounts have an interest rate of 7% (see Note 10).

Phytotherapeutics Management Services, LLC, an Arizona non-profit corporation ("Phyto")

In July 2019, the Company completed the acquisition of Phyto, which operates under the license of Phytotherapeutics of Tucson, LLC. The close of the transaction resulted in the license being applied to a newly developed dispensary located in Phoenix, AZ.

Aggregate agreed upon consideration for Phyto was $7,669, consisting of cash of $5,669, 65,511 SVS valued at $500 and a Company promissory note in the amount of $1,500 with a maturity date of 12 months from the close of the transaction with an interest rate of 7.5% (Note 10). The transaction completed in July 2019.

Glendale Greenhouse, an Arizona non-profit corporation ("Glendale")

In August 2019, the Company completed the acquisition of Glendale, which operates under the license of PP Wellness as a vertically integrated cannabis cultivation, processing, and dispensary company.

Consideration for Glendale included 173,050 SVS valued at $1,500 and cash of $8,279. The Company also issued two promissory notes with a combined amount of $5,000 with a maturity date of 12 months from the close of the transaction date and an interest rate of 7%. The Company also issued a promissory note in the amount of $2,500 with an interest rate of 7%, which was paid in February 2020 (Note 10). Additionally, the Company will issue SVS with a value of $1,500 12 months after the close of the transaction.

Acres Cannabis, a Nevada limited liability company ("Acres")

In October 2019, the Company completed the acquisition of Acres, which included a cultivation facility in the Amargosa Valley, Nevada and a large dispensary located in Las Vegas, Nevada, with a second dispensary under construction. Total consideration for the transaction was $47,597, of which $15,000 in cash was paid upon signing, $9,500 was paid upon receiving regulatory approval of the license transfer for the dispensary in January 2020, as well as a $500 holdback. Total consideration also included $12,856 which was settled through the issuance of 3,108,183 SVS, $8,569 which was settled through the issuance of 2,039,062 SVS upon receiving regulatory approval of the license transfer for the dispensary in January 2020, and $1,172 of contingent consideration which is payable if certain financial targets are met.

Pending acquisitions

The following acquisitions have been signed but have not been completed. The results of the following entities are not included in the consolidated results of the Company:

Arrow Alternative Care, Inc., Arrow Alternative Care #2, Inc., Arrow Alternative Care #3, Inc., each a Delaware corporation (collectively, the "Arrow Companies")

In March 2020, the Company signed definitive agreements to acquire the Arrow Companies, which operate licensed medical cannabis dispensaries in Stamford, Hartford, and Milford, Connecticut. The aggregated consideration to be paid for the Arrow Companies is $38,000, consisting of $16,400 cash and $21,600 to be paid in SVS.

The Arrow Companies transaction closed in April 2020.

Alternative Therapies Group, Inc, a Massachusetts corporation ("ATG")

In August 2018, the Company entered into an agreement to acquire ATG, which includes a 53,600 square foot cultivation and processing facility in Amesbury, Massachusetts and intends to enter supply agreements with ATG's three dispensaries in Massachusetts. Consideration for ATG is $50,000, $42,500 of which was prepaid in cash in December 2018 in order to solidify the Company's intent to complete the purchase of ATG and was recorded as a non-current asset. The remaining $7,500 is due at the close of the transaction. The closing of the transaction is subject to certain milestones being met and regulatory approval.

Ohio Grown Therapies, LLC, an Ohio limited liability company ("OGT")

In May 2019, the Company entered into an agreement granting it an option to acquire OGT for $20,000. The Company paid $5,000 cash in May 2019. The remaining consideration will be paid upon completion of milestones, culminating with regulatory approval of the transfer of the final licenses and OGT facility to Curaleaf. The closing of this transaction is currently pending regulatory approval.

GR Companies, Inc., a Delaware company ("Grassroots")

In July 2019, the Company entered into an agreement to acquire Grassroots, a large, private, vertically-integrated multi-state operator, for consideration composed of $10,000 in cash, and approximately 102,808,038 SVS. Consideration is subject to adjustments for working capital and cash at closing. Consideration also includes additional SVS equal to the quotient obtained by dividing $80,000 by the higher of (i) the 10-day volume-weighted average price per SVS, determined as of the close of business on the last business day prior to the closing date, on the CSE. In February 2020, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired with respect to the acquisition of Grassroots. The closing of this transaction is currently pending completion of certain closing conditions, including regulatory approval.

Virginia's Kitchen, LLC, a Colorado company d/b/a Blue Kudu ("Blue Kudu")

In February 2020, the Company signed a definitive agreement to acquire 100% of Blue Kudu, a Colorado-licensed processor and producer of cannabis edibles, operating an 8,400 square foot facility in Denver, Colorado. The consideration to be paid for Blue Kudu consists of 322,580 SVS, $1,250 cash at closing of the transaction and a 5% note for $500 due ten and a half months from closing. The closing of this transaction is currently pending completion of certain closing conditions, including regulatory approval.

(in thousands, except for gram, share and per share amounts)

Note 5 – Inventory

Inventory consist of the following:

	March 31, 2020	December 31, 2019
Raw materials		
Harvested cannabis	$ 15,348	$ 19,232
Harvested trim	3,169	2,890
Total raw materials	18,517	22,122
Work-in-process		
Processing	39,763	16,277
Finished goods		
Consumables	8,420	7,452
Flower	3,917	2,696
Extracts	33,390	14,663
Total finished goods	45,727	24,811
	$ 104,007	$ 63,210

Note 6 – Biological assets

The following table is a reconciliation of carrying amount of the biological assets:

Balance at December 31, 2018	$ 4,491
Unrealized fair value gain on growth of biological assets	12,601
Increase in biological assets due to capitalized costs	5,558
Transferred to inventory upon harvest	(17,225)
Balance at March 31, 2019	$ 5,425
Balance at December 31, 2019	$ 19,197
Unrealized fair value gain on growth of biological assets	36,747
Increase in biological assets due to capitalized costs	16,231
Transferred to inventory upon harvest	(45,113)
Balance at March 31, 2020	$ 27,062

Biological assets consists of actively growing cannabis plants to be harvested as agricultural produce.

The average grow cycle of plants up to the point of harvest is approximately twelve weeks. Plants in production are plants that are in the flowering stage and are valued at fair value less cost to complete and cost to sell, where fair value represents the Company's selling price per gram of dried cannabis. As of March 31, 2020, and December 31, 2019, it was expected that the Company's biological assets would yield 10,512,967 and 7,031,057 grams of cannabis when harvested, respectively. See Note 18 for the inputs and sensitivity analysis for the fair value of the biological assets.

(in thousands, except for gram, share and per share amounts)

Note 7 – Notes receivable

Notes receivable consist of the following:

	March 31, 2020	December 31, 2019
Notes receivable Curaleaf NJ, Inc.	$ 71,014	$ 56,437
Notes receivable Remedy Compassion Center, Inc.	751	729
Total notes receivable	$ 71,765	$ 57,166

Note 8 – Property, plant and equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	March 31, 2020	December 31, 2019
Land	$ 487	$ 487
Building and improvements	100,738	87,563
Furniture and fixtures	44,371	37,526
Information technology	2,921	1,858
Construction in progress	37,158	20,387
Total property and equipment	185,675	147,821
Less: Accumulated depreciation	(27,804)	(18,009)
Property, plant and equipment, net	$ 157,871	$ 129,812

Note 9 – Goodwill and intangible assets

Identifiable intangible assets consist of the following:

	2019	2020		
	Balance at December 31,	Acquisitions	Year-to-date amortization	Balance at March 31,
Licenses	$ 182,969	$ 124,120	$ (5,572)	$ 301,517
Trade names	1,921	27,590	(384)	29,127
Service agreements	—	57,380	(949)	56,431
Non-compete agreements	745	4,770	(248)	5,267
Total intangible assets, net	$ 185,635	$ 213,860	$ (7,153)	$ 392,342

Amortization of intangible assets was $7,153 and $1,806 for the three months ended March 31, 2020 and 2019, respectively.

The Company has determined that the goodwill associated with all acquisitions belong to the cannabis operations segment. There was no goodwill associated with the non-cannabis operations segment as of March 31, 2020 or December 31, 2019. The changes in the carrying amount of goodwill for the cannabis operations segment were as follows:

(in thousands, except for gram, share and per share amounts)

	Total
Balance at December 31, 2019	$ 69,326
Purchase price adjustments	(163)
Acquisition of Cura	112,302
Balance at March 31, 2020	$ 181,465

There was no goodwill impairment at any Cash Generating Units ("CGU"s) for the three months ended March 31, 2020 or 2019.

Note 10 – Notes payable

Notes payable consist of the following:

	March 31, 2020	December 31, 2019
Financing Agreement – 2021		
Principal amount and interest accrued	$ —	$ 90,795
Unamortized debt discount	—	(5,773)
Net carrying amount	—	85,022
Financing Agreement – 2023		
Principal amount	300,000	—
Unamortized debt discount	(29,684)	—
Net carrying amount	270,316	—
Secured Promissory Notes - 2029	1,253	2,505
Seller note payable	9,500	17,000
Other notes payable	446	426
Total notes payable	$ 281,515	$ 104,953
Current portion of notes payable	9,500	17,000
Long term notes payable	272,015	87,953
Total notes payable	$ 281,515	$ 104,953

Financing Agreement – 2021

In August 2018, the Company issued $85,000 of senior secured debt (the "Financing Agreement – 2021"). In connection with this agreement, the Company paid a fee of $1,700 upon the initial funding.

The Financing Agreement – 2021 accrued interest at a rate of 15% per annum, of which 10% was payable in cash quarterly and 5% was payable in kind. Principal and interest were due in full on August 23, 2021. The Financing Agreement – 2021 was secured by a guarantee of each wholly-owned direct and indirect subsidiary of the Company, as well as a pledge of the Company's assets and each such guarantor and contains certain negative covenants, including restrictions on its ability to pay dividends, invest in non-wholly owned entities and to incur non-subordinated debt.

The Financing Agreement – 2021 may be pre-paid in tranches of up to $25,000 or $50,000 upon 90 or 180 days written notice. Any amount prepaid once the outstanding principal falls below $25,000 is subject to a prepayment premium.

In connection with the Financing Agreement – 2021, the Company issued warrants to purchase 3,598,492 shares of common stock for a nominal value. The liability component of the notes was recorded at fair value of $77,556 and the equity component at the residual amount of $7,444. A debt discount was reflected as a reduction of the carrying value of the long-term debt on the Company's consolidated statements of financial position and was amortized to interest expense over the term of the notes using the effective interest method.

The Company recognized interest expense under the Financing Agreement – 2021 of $455 and $3,775 for the three months ended March 31, 2020 and 2019, respectively, including interest expense related to the amortization of the debt discount of $76 and $537, respectively.

The Company satisfied in full its obligations including early repayment fees of $9,500 under the Financing Agreement – 2021 in connection with and out of the proceeds from with the new senior secured debt facility Financing Agreement – 2023. The repayment of the loan was accounted for as a modification into Financing Agreement – 2023.

Secured Promissory Notes – 2029

In January 2017, the Company entered into secured promissory notes (the "Secured Promissory Notes – 2029") with certain individuals for an aggregate principal amount of $2,505.

The Secured Promissory Notes – 2029 accrue interest at a rate of 12% per annum on the first $224 and 14% per annum on the remaining balance. Principal and interest are due in full on May 1, 2029.

The Company recognized interest expense under the Secured Promissory Notes – 2029 of $43 and $99 for the three months ended March 31, 2020 and 2019, respectively.

The Company paid $1,252 and the respective accrued interest for a total of $1,651 in connection with the minority owner buyout. (Note 18)

Seller note

The Company issued certain notes payable in conjunction with the Emerald acquisition in the amount of $8,000, the Glendale acquisition in the amount of $7,500, and the Phyto acquisition in the amount of $1,500. The Company paid $5,000 and the accrued interest related to the Emerald acquisition in January 2020. The Company paid $2,500 and the accrued interest related to the Glendale acquisition in February 2020. The Company recognized $152 of interest expense on the Seller Note for the three months ended March 31, 2020 (see Note 4).

Financing Agreement – 2023

In January 2020, the Company closed on a Senior Secured Term Loan Facility ("Facility") from a syndicate of lenders totaling $300,000. The notes bear interest at a rate of 13.0% per annum, payable quarterly in arrears with maturity in December 2023 and contain certain principal prepayment premiums. The Company satisfied its obligations in full under the Financing Agreement – 2021 in connection with, and out of the proceeds of the Facility.

The Company recognized interest expense under the Financing Agreement – 2023 of $9,979 for the three months ended March 31, 2020, including interest expense related to the amortization of the debt discount of $1,637.

Future maturities

As of March 31, 2020, future principal payments due under Notes payable were as follows:

(in thousands, except for gram, share and per share amounts)

Period	Amount
2020 (remaining nine months)	$ 9,500
2021	—
2022	—
2023	300,000
2024	—
2025 and thereafter	1,699
	$ 311,199

Note 11 – Shareholders' equity

The authorized and issued share capital of the Company is as follows:

Authorized

As of March 31, 2020, the authorized share capital consists of an unlimited number of multiple voting shares ("MVS") without par value and an unlimited number of subordinate voting shares ("SVS") without par value.

Issued

Holders of the MVS are entitled to 15 votes per share and are entitled to notice of and to attend at any meeting of the shareholders, except a meeting of which only holders of another particular class or series of shares will have the right to vote. As of March 31, 2020 and December 31, 2019, the MVS represented approximately 19.7% and 22.1%, respectively, of the total issued and outstanding shares and 78.6% and 81%, respectively, of the voting power attached to such outstanding shares. The MVS are convertible into SVS on a one-for-one basis at any time at the option of the holder or upon termination of the MVS structure. The MVS structure will terminate automatically on October 25, 2021. It will also terminate automatically upon the occurrence of the following events: (i) transfer or disposition of the MVS by the Company's Executive Chairman, Boris Jordan, to one or more third parties which are not certain permitted holders as described in the Company's Articles, and (ii) Mr. Jordan or his permitted holders no longer beneficially owning, directly or indirectly and in the aggregate, at least 50% of the issued and outstanding SVS and MVS. In 2019, the holder of 18,200,000 MVS voluntarily converted 18,200,000 MVS into SVS. As of March 31, 2020, the Company had 103,970,705 MVS issued and outstanding.

Holders of the SVS are entitled to one vote per share. As of March 31, 2020, the Company had 423,547,286 SVS issued and outstanding.

In February 2020, 47,528,650 SVS were issued in connection with the acquisition of Select. (Note 4)

The Company had reserved 58,613,110 and 52,237,230 SVS, as of March 31, 2020 and December 31, 2019, respectively, for the issuance of stock options under the Company's 2018 Long Term Incentive Plan (see Note 12).

Treasury shares

For the three months ended March 31, 2019, the Company repurchased an aggregate of 147,900 shares for a purchase price of $5.97 per share, or a total of $883. The amount is reflected as treasury shares in the consolidated statement of financial position.

(in thousands, except for gram, share and per share amounts)

Note 12 – Share-based payment arrangements

Stock option programs

The 2011 and 2015 Equity Incentive Plans provide for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units, stock appreciation rights and other share-based awards. In connection with the Business Combination, all unexercised stock options of Curaleaf, Inc. issued and outstanding under the 2011 and 2015 Equity Incentive Plans were converted to the option to receive an equivalent substitute option under the 2018 Long Term Incentive Plan (the "LTIP"). The LTIP provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and restricted stock units, performance awards, dividend equivalents, and other share-based awards. The number of SVS reserved for issuance under the LTIP is calculated as 10% of the aggregate number of SVS and MVS outstanding on an "as-converted" basis.

Stock option valuation

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes valuation model, where appropriate. In instances where stock options have performance or market conditions, the Company utilizes the Monte Carlo valuation model to simulate the various outcomes that affect the value of the option.

The weighted average inputs used in the measurement of the grant date fair values of the equity-settled share-based payment plans were as follows:

	March 31,	
	2020	2019
Fair value at grant date	$ 2.86	$ 7.46
Share price at grant date	$ 3.87	$ 9.21
Exercise price	$ 5.59	$ 9.44
Expected volatility	90.4 %	88.1 %
Expected life	6.1 years	7.4 years
Expected dividends	— %	— %
Risk-free interest rate (based on government bonds)	0.52 %	2.29 %

The expected volatility is estimated based on the historical volatility of a publicly traded set of peer companies. The expected life in years represents the period of time that options granted are expected to be outstanding. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

During the three months ended March 31, 2020 and 2019, the Company recorded share-based compensation in the amount of $4,501 and $1,782, respectively.

(in thousands, except for gram, share and per share amounts)

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option program were as follows:

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Outstanding at January 1	26,919,515	$ 1.59	31,269,448	$ 0.94
Forfeited during the three month period	(493,765)	1.10	—	—
Exercised during the three month period	(3,543,496)	0.31	(904,500)	0.22
Granted during the three month period	604,414	8.35	1,152,573	9.21
Rollover grants in connection with acquisition (Note 4)	4,820,663	9.98	—	—
Outstanding at March 31	28,307,331	$ 1.59	31,517,521	$ 1.29
Options exercisable at March 31	20,215,681	$ 0.24	21,142,533	$ 0.24

Restricted stock units ("RSUs")

The number of RSUs awarded under the 2018 LTIP Plan were as follows:

	Number of RSUs	
	2020	2019
Outstanding at January 1	2,170,064	166,215
Forfeited during the three month period	(166,624)	—
Released during the three month period	—	—
Granted during the three month period	942,122	908,789
Outstanding at March 31	2,945,562	1,075,004
RSUs vested at March 31	250,847	—

Note 13 – Selling, general, and administrative expense

Selling, general, and administrative expenses consist of the following:

	Three months ended March 31,	
	2020	2019
Selling, general and administrative expenses:		
Salaries and benefits	$ 18,769	$ 10,864
Sales and marketing	3,608	3,195
Rent and occupancy	823	1,674
Travel	1,663	964
Professional fees	14,086	3,345
Office supplies and services	2,785	1,723
Other	4,123	1,503
Total selling, general and administrative expense	$ 45,857	$ 23,268

(in thousands, except for gram, share and per share amounts)

Note 14 – Earnings per share

Basic and diluted loss per share attributable to Curaleaf Holdings, Inc. was calculated as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Numerator:		
Net loss and comprehensive loss	$ (15,452)	$ (10,828)
Less: Net loss attributable to redeemable non-controlling interest	(363)	(619)
Net loss attributable to Curaleaf Holdings, Inc. — basic and diluted	$ (15,089)	$ (10,209)
Denominator:		
Weighted average common shares outstanding — basic and diluted	507,700,498	453,559,765
Loss per share — basic and diluted	$ (0.03)	$ (0.02)

The Company's potentially dilutive securities, which include stock options and warrants to purchase shares of stock, have been excluded from the computation of diluted net loss per share as the effect would reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to shareholders is the same. The Company excluded the following potential shares, presented based on amounts outstanding at each period end, from the computation of diluted loss per share attributable to Curaleaf, Inc. for the periods indicated because including them would have had an anti-dilutive effect:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Options to purchase common stock	28,307,331	31,517,521

In addition to the potentially dilutive securities noted above, as of March 31, 2020, the Company has 688,349 shares held in escrow in connection with the Eureka acquisition and 3,074,149 shares held in escrow in connection with the Cura Partners. acquisition (See Note 4).

Note 15 – Segment Reporting

The Company operates in two segments: the production and sale of cannabis via retail and wholesale channels ("Cannabis Operations"); and providing professional services including cultivation, processing and retail know-how and back office administration, intellectual property licensing, real estate leasing services and lending facilities to medical and adult-use cannabis licensees under management service agreements ("Non-Cannabis Operations").

	Cannabis	Non-Cannabis	Total
For the three months ended March 31, 2020:			
Revenues	$ 77,055	$ 19,441	$ 96,496
Gross profit	48,598	19,441	68,039
Income (loss) from operations	10,547	(5,554)	4,993
Net income (loss)	7,664	(23,117)	(15,453)

	Cannabis	Non-Cannabis	Total
For the three months ended March 31, 2019:			
Revenues	$ 27,768	7,483	$ 35,251
Gross profit	12,870	7,483	20,353
Loss from operations	(5,584)	(4,008)	(9,592)
Net loss	(7,575)	(3,253)	(10,828)

(in thousands, except for gram, share and per share amounts)

	Cannabis	Non-Cannabis	Total
As of March 31, 2020:			
Total assets	$ 603,242	$ 693,511	$ 1,296,753
Total liabilities	216,627	413,210	629,837

	Cannabis	Non-Cannabis	Total
As of March 31, 2019:			
Total assets	$ 88,524	$ 481,312	$ 569,836
Total liabilities	12,307	121,887	134,194

Note 16 – Commitments and contingencies

Leases

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent.

At March 31, 2020, approximate future minimum payments due under non-cancelable operating leases were as follows:

Period	Scheduled payments
2020 (remaining 9 months)	15,106
2021	18,615
2022	19,647
2023	17,583
2024 and thereafter	65,161
Total undiscounted lease liability	136,112
Impact of discount	(35,913)
Lease liability at March 31, 2020	100,199
Less current portion of lease liability	(13,052)
Long-term portion of lease liability	$ 87,147

Real estate leases typically extend for a period of 1–10 years. Some leases for office space include extension options exercisable up to one year before the end of the cancellable lease term. Typically, the option to renew the lease is for an additional period of 5 years after the end of the initial contract term and are at the option of the Company as the lessee. Lease payments are in substance fixed, and certain real estate leases include annual escalation clauses with reference to an index or contractual rate.

The Company leases machinery and equipment but does not purchase or guarantee the value of leased assets. The Company considers these assets to be of low-value or short-term in nature and therefore no right-of use assets and lease liabilities are recognized for these leases. Expenses recognized relating to short-term leases and leases of low value during the three months ended March 31, 2020 and 2019 were immaterial.

The Company leases space for its offices, cultivation centers, and retail dispensaries. Key movements relating to the right-of-use lease asset balances are presented below:

(in thousands, except for gram, share and per share amounts)

		Scheduled Payments
Carrying amount, January 1, 2020	$	82,794
Additions to leased assets		8,794
Depreciation charges		(3,700)
Carrying amount, March 31, 2020	$	87,888

The total interest expense on lease liabilities for the three months ended March 31, 2020 and 2019 was $2,158 and $967, respectively.

The total cash outflow for lease liability payments for the three months ended March 31, 2020 and 2019 was $2,006 and $1,031, respectively.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management team that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnification agreements. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its consolidated financial statements.

Legal

The Company is involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits are provided to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is management's opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on the Company.

Among other legal disputes, the Company is currently involved in the following proceedings:

Connecticut Arbitration. Pursuant to the Second Amended and Restated Operating Agreement of Doubling Road Holdings, LLC, the holders (the "Holders") of a majority of the Series A-2 Units of Doubling Road Holdings had the right to require that PalliaTech CT, LLC or any Affiliate purchase all of the Series A-2 Units in exchange for shares of PalliaTech, Inc. (now Curaleaf, Inc.), the parent of PalliaTech CT, pursuant to a defined "Buy-Out Exchange Ratio." On October 25, 2018, the Holders, Curaleaf, and others entered into a Stipulation of Settlement in order to resolve a dispute with respect to the applicable Buy-Out Exchange Ratio for the Put Right. The Stipulation of Settlement provided, among other things, that PalliaTech CT purchased the Holders' interests in exchange for (1) a payment of $40,142; (2) 4,755,548 SVS of Curaleaf Holdings, Inc.; and (3) the potential for additional equity in Curaleaf Holdings depending on the results of a "Settlement Second Appraisal." Pursuant to the Settlement Second Appraisal, dated December 12, 2019, and the terms of the Stipulation of Settlement, the Holders received 2,016,859 additional SVS. On January 23, 2020, the Holders filed new claims in arbitration including for fraudulent inducement and breach of contract, relating primarily to a lock-up agreement that the Holders signed in connection with the Stipulation of Settlement.

Florida Arbitration / Litigation. On December 10, 2018, Jayson Weisz and SRC Medical Partners, LLC initiated an arbitration against PalliaTech Florida LLC. On March 19, 2019, Weisz and SRC derivatively on behalf of PalliaTech Florida LLC filed a complaint against Defendants Curaleaf Florida LLC, PalliaTech Florida, Inc., Joseph Lusardi, and Boris Jordan in the Complex Business Litigation Section in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. Plaintiffs' derivative Complaint seeks the judicial dissolution of Curaleaf Florida LLC and asserts various causes of action against Defendants, including for breach of contract, civil conspiracy, breach of fiduciary duty, fraudulent transfer, and a declaratory judgment appointing Robins to the Board of Managers. On January 10, 2020, Weisz, JRF Group, and the Curaleaf entities entered into a Stipulation of Settlement pursuant to which the Company purchased JRF Group's interest in PalliaTech Florida LLC for consideration of 1,772,062 SVS and $2,500 in cash. During February 2020, SRC, PalliaTech Florida LLC, PalliaTech Florida, Inc., and Lusardi participated in a final arbitration hearing. The parties are currently exchanging post-hearing briefs.

Securities Class Action. On August 5, 2019, a purported class action was filed against Curaleaf, Joseph Lusardi, Neil Davidson, and Jonathan Faucher in the United States District Court for the Eastern District of New York on behalf of persons or entities who purchased or otherwise acquired publicly traded securities of the Company from November 21, 2018 to July 22, 2019. On January 6, 2020, an Amended Class Action Complaint was filed against Defendants. The Amended Class Action Complaint alleges that Defendants made materially false and/or misleading statements regarding Curaleaf's CBD products based on a July 22, 2019 letter received from the U.S. Food and Drug Administration ("FDA Letter"). According to the Amended Class Action Complaint, the FDA Letter states that several of the CBD products sold on Curaleaf's website were "misbranded drugs" in violation of the Federal Food, Drug, and Cosmetic Act. The Amended Class Action Complaint asserts claims (1) against all Defendants for alleged violations of Section 10(b) of the Securities Exchange Act of 1934 and (2) against Lusardi, Davidson, and Faucher for alleged violations of Section 20(a) of the Securities Exchange Act of 1934. On March 6, 2020, the Defendants filed a motion to dismiss arguing that the Amended Class Action Complaint failed to allege (1) any false or misleading statement or omission, (2) scienter, (3) any domestic transactions, or (4) control person liability.

Taxes

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. The U.S. parent company is currently under audit by the Internal Revenue Service ("IRS") for the years ending December 31, 2016 through December 31, 2018. The IRS has proposed adjustments relating the U.S. parent company's treatment of expenses under Section 280E, however, as of March 31, 2020, there has been no resolution to any adjustments. Although the Company currently believes all its tax positions can be sustained, the ultimate resolution of tax matters could have a significant impact on the Company's consolidated financial statements. The Company's tax years are still open under statute from December 31, 2016, to the present.

Note 17 – Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company incurred the following transactions with related parties during the three months ended March 31, 2020 and 2019:

(in thousands, except for gram, share and per share amounts)

Transaction	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Balances as of March 31, 2020	Balances as of December 31, 2019
	Related Party Transactions		Balance Receivable (Payable)	
Processing fees (1)	$ 659	$ —	$ —	$ —
Consulting Fees (2)	—	310	—	—
Travel and Reimbursement (2)	—	268	—	—
Rent expense (3)	(60)	60	—	—
Contingent Liability (4)	—	—	(18,000)	(18,000)
Senior Unsecured Note - 2019 (5)	—	58	—	—
	$ 599	$ 696	$ (18,000)	$ (18,000)

(1) For the three months ended March 31, 2020, the Company recognized direct expenses of $659 for processing expenses with Sisu Extracts. Sisu Extracts, a state licensed processor in California, performed toll processing services for the Company during the quarter. Cameron Forni, Select President, holds a passive investment in Sisu Extracts.

(2) For the three months ended March 31, 2019, the Company recognized consulting, travel and business development expenses related to the Company of $578, as payment to Sputnik Group LTD, a company controlled by Boris Jordan, Executive Chairman as of March 31, 2019. As of March 31, 2020, the Sputnik Group LTD no longer meets the definition of a related party.

(3) For the three months ended March 31, 2020 and 2019, the Company recognized a rent expense credit of $60 and rent expense of $60, respectively, for a sublease between Curaleaf NY and Measure 8 Venture Partners, a company controlled by Boris Jordan, Executive Chairman.

(4) As of March 31, 2020 and 2019, the Company had a contingent consideration liability of $18,000 for the purchase of CLMA payable upon the achievement of certain milestones. The liability is payable to PT Mass Holdings, LLC, of which Joseph F. Lusardi, the Company's Chief Executive Officer, is a member.

(5) For the three months ended March 31, 2020 and 2019, the Company recognized interest expense of $0 and $58, respectively, to Boris Jordan, Executive Chairman, and MedTech International Group, LLC, a company controlled by Boris Jordan for interest on the Senior Unsecured Notes – 2019. The Company satisfied its full obligations under the Senior Unsecured Notes in from the proceeds from the new senior secured debt facility in January 2020.

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors. Key management personnel compensation and other related party expenses for the three months ended March 31, 2020 and 2019 are as follows:

Key Management Personnel Compensation	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Short-term employee benefits	$ 786	$ 439
Other long-term benefits	7	6
Share-based payments	3,554	1,376
	$ 4,347	$ 1,821

Note 18 – Fair value measurements

The Company's financial instruments consist of cash, restricted cash and cash equivalents, notes receivable, accounts payable, accrued expenses, long-term debt and redeemable non-controlling contingency. The fair values of cash, restricted cash, notes receivable, accounts payable and accrued expenses approximate their carrying values due to the relatively short-term to maturity. The Company's long-term notes payable carrying value at the effective interest rate approximates fair value.

(in thousands, except for gram, share and per share amounts)

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company's assets measured at fair value on a nonrecurring basis include investments, long-lived assets, indefinite-lived intangible assets and goodwill. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of December 31, for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements.

There have been no transfers between fair value levels during the three months ended March 31, 2020 and 2019.

	Fair Value Measurements as of March 31, 2020 Using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Biological assets	$ —	$ —	$ 27,062	$ 27,062
	$ —	$ —	$ 27,062	$ 27,062
Liabilities:				
Non-controlling interest redemption and contingent consideration liabilities	$ —	$ —	$ 66,958	$ 66,958
	$ —	$ —	$ 66,958	$ 66,958

	Fair Value Measurements as of December 31, 2019 Using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Biological assets	$ —	$ —	$ 19,197	$ 19,197
	$ —	$ —	$ 19,197	$ 19,197
Liabilities:				
Non-controlling interest redemption and contingent consideration liabilities	$ —	$ —	$ 35,310	$ 35,310
	$ —	$ —	$ 35,310	$ 35,310

Biological assets

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants that are actively growing, and then adjusts that amount for the expected selling price per gram in the market in which the biological asset is growing. The estimates used in determining the fair value of biological assets are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. The significant assumptions used in determining the fair value of biological assets include:

- Expected yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant;

- Wastage of plants – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested;

- Duration of the production cycle – represents the weighted average number of weeks out of the 12 week growing cycle that biological assets have reached as of the measurement date;

- Percentage of costs incurred as of this date compared to the total costs expected to be incurred – this is calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post harvest, consisting of the cost of direct and indirect materials and labor related to further production, labeling, and packaging;

- Percentage of costs incurred for each stage of plant growth – represents the direct and indirect production costs incurred that are capitalized; and

- Market values – this is calculated as the current market price per gram in the market in which the biological asset is being produced. This is expected to approximate future selling price.

The Company accretes fair value on a straight line basis according to stage of growth. As a result, a cannabis plant that is 50% through its 12 week growing cycle would be ascribed approximately 50% of its harvest date expected fair value. All plants are to be harvested cannabis and as of March 31, 2020 and December 31, 2020, on average, were 53% and 49% complete, respectively. An increase or decrease in the estimated sale price would result in a significant change in the fair value of biological assets.

Non-controlling interest contingency and buyout

During 2018 the Company agreed to acquire the remaining non-controlling interest in Costa Nursery Farms, LLC, d/b/a Modern Health Concepts ("MHC") and Double Road Holdings, LLC ("DRH"), therefore voiding the non-controlling interest put options and the non-controlling interest purchased call options from the original agreements. The MHC acquisition consideration was for $25,000 in cash as well as common stock and the DRH acquisition consideration was for $40,142 in cash as well as common stock. Upon each acquisition, the Company reversed the non-controlling interest contingency liabilities.

The non-controlling interest in MHC of $12,000 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The MHC Agreement contained a put option under which the non-controlling interest could require the Company to redeem its equity interest in MHC. The redemption value was to be determined by mutual agreement or by an independent valuation expert subject to certain parameters that include a "floor" amount of $12,000 and a "ceiling" amount equal to 75% of the excess of the fair market value over $40,000 times the percentage interest held by the non-controlling interest (30% at the acquisition date). The Company had a call option under which it may require the non-controlling interest to sell under the same terms.

PT Florida is owned 77.2% by the Company and 22.8% by third parties (the "Remaining Florida Minority Holders"). The Remaining Florida Minority Holders, through their 22.8% non-controlling interest in PT Florida, indirectly held a 15.9% non-controlling interest in MHC as of December 31, 2019. In January 2020, half of the Remaining Minority Holders agreed to sell their 11.4% equity in PT Florida for consideration of $4,159 cash and 1,772,062 SVS, valued at $12,272. In addition, in connection with this transaction, the Company paid the selling Remaining Minority Holders $1,651 cash to retire principal and interest on the half of the Secured Promissory Notes – 2029 held by the selling Remaining Minority Holder. (See Note 10).

In October 2018, the Company agreed to acquire from the minority members of DRH (the "DRH Minority Members") their remaining 49% membership interests in DRH (the "DRH Minority Membership Units") in consideration for $40,142 in cash (the "Connecticut Minority Buy-Out") and $41,747 which was settled through the issuance of 4,755,548 SVS. The number of SVS to be paid to the DRH Minority Members for the DRH Minority Membership Units may be adjusted based upon an independent valuation to be conducted following the completion of the Business Combination. The valuation will first establish the value of DRH as a percentage of the value of Curaleaf Inc. as at March 8, 2018 (the "Exchange Ratio"), and then convert the Exchange Ratio into a percentage of the fully diluted equity as of the date of the Business Combination, not taking into account shares to be issued in connection with the Private Placement (the "Diluted Share Count"). Upon completion of this valuation, the number of additional SVS to be issued to DRH Minority Members shall be determined based on a prescribed formula, provided that the aggregate number of SVS issued to the DRH Minority Holders shall not exceed an additional 1.96% of the Diluted Share Count representing 8,962,380 SVS. In February 2020, the Company issued 2,016,858 SVS to the former minority members of DRH as a result of the second independent valuation.

As of March 31, 2020 and December 31, 2019 the Company recognized a non-controlling interest buyout liability in the amount of $2,694 and $16,174, respectively, with the offset being recognized in redeemable non-controlling interest buyout as contra equity. An increase or decrease in the weighted average cost of capital ("WACC") would result in a significant change in the fair value of the non-controlling interest contingency.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's notes and accounts receivable. The maximum credit exposure at March 31, 2020 and December 31, 2019 is the carrying amount of cash and cash equivalents, accounts receivable and notes receivable. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its wholesale and MSA customers in the normal course of business and has established processes to mitigate credit risk. The amounts reported in the consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts when management determines that the account may not be fully collectible. The Company applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The Company has not adopted credit policies in an effort to minimize those risks. As of March 31, 2020, future loan receivable receipts were as follows:

(in thousands, except for gram, share and per share amounts)

Period	Amount
2020 (remaining nine months)	$ 751
2021	71,014
2022	—
2023	—
2024	—
2025 and thereafter	—
	$ 71,765

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Interest Rate Risk

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

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities. As of March 31, 2020 and December 31, 2019, the Company was not subject to externally imposed capital requirements.

Note 19 – Subsequent events

The Company has evaluated subsequent events through May 19, 2020, the date the consolidated financial statements were available to be issued.

In April 2020, the holder of 2,373,091 MVS voluntarily converted the MVS into SVS. In May 2020, the holder of 7,626,909 MVS voluntarily converted the MVS into SVS.

See Note 4 for information regarding acquisitions that were signed after March 31, 2020.