Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained in this Annual Report on Form 10-K.

Overview

Trulieve is a vertically integrated cannabis company and multi-state operator with operations in nine states. Headquartered in Quincy, Florida, we are the largest cannabis retailer in the United States with market leading retail operations in Arizona, Florida, Georgia, Pennsylvania, and West Virginia. We are committed to delivering exceptional customer experiences through elevated service and high-quality branded products. We aim to be the brand of choice for medical and adult-use customers in all of the markets that we serve. The Company operates in highly regulated markets that require expertise in cultivation, manufacturing, and retail. We have developed proficiencies in each of these functional areas and are passionate about expanding access to regulated cannabis products through advocacy, education and expansion of our distribution network.

All of the states in which we operate have developed programs to permit the use of cannabis products for medicinal purposes to treat specific conditions and diseases, which we refer to as medical cannabis. Recreational cannabis, or adult-use cannabis, is legal cannabis sold in licensed dispensaries to adults ages 21 and older. Thus far, of the states in which we operate, Arizona, Colorado, Connecticut, Maryland, and Ohio, have already launched programs legalizing the sale of adult-use cannabis products. Trulieve operates its business through its owned subsidiaries which hold licenses in the states in which they operate.

As of December 31, 2024, we operated the following:

State	Number of Dispensaries	Number of Cultivation and Processing Facilities
Florida	160	5
Arizona	21	3
Pennsylvania	21	3
West Virginia	10	1
Georgia	6	1
Maryland	3	1
Ohio	3	—
Connecticut	1	—
Colorado	—	1
Total	225	15

Components of Results of Continuing Operations

Revenue

Revenue is primarily derived from cannabis and cannabis related products we cultivate, process, distribute, and sell to our customers and through our wholesale distribution channels.

Cost of Goods Sold and Gross Profit

Gross profit includes revenue less the costs directly attributable to the cultivation and production of cannabis and from wholesale purchases made from other licensed producers within the markets in which the Company operates. Costs of goods sold include the costs directly attributable to the production of inventory and amounts incurred in the cultivation and manufacturing process of finished goods, such as flower, concentrates, and edibles, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes depreciation and amortization of property and equipment associated with cultivation and production, allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in margins over comparative periods as the regulatory environment changes.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel costs to manage and staff our dispensaries and other operating dispensary costs such as facility costs, advertising costs, and costs for marketing programs of our products. As we continue to expand and open additional dispensaries, and gain additional customers, we expect our sales and marketing expenses to continue to increase.

General and Administrative

General and administrative expenses are primarily related to (i) personnel costs, including salaries, incentive compensation and benefits, (ii) other professional service costs, including legal, accounting and acquisition related costs, and (iii) legislative campaign contributions. We expect to continue to invest in this area to support our expansion plans and to further support the growth of the cannabis industry. Other general and administrative expenses consist of travel, general office supplies and monthly services, facilities and occupancy, insurance, and director fees.

Depreciation and Amortization

Depreciation and amortization consists of depreciation of property and equipment, right-of-use assets, and amortization of intangible assets, including cannabis licenses and internally developed software.

Total Other Expense, Net

Total other expense, net consists primarily of interest expense, interest income on money market accounts, time deposits, and notes receivable, debt extinguishments, the impact of the revaluation of the liability classified warrants, the interest rate swap, the provision for credit losses recorded on non-operating notes receivable, and the loss or gain recognized on sales of non-operating assets.

Provision for Income Taxes

Provision for income taxes is calculated using the asset and liability method. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The IRS has taken the position that Section 280E of the IRC precludes cannabis companies from deducting any business expenses other than amounts properly categorized as costs of goods sold. The Company has taken a position that Section 280E of the IRC does not preclude it from deducting ordinary and necessary business expenditures on its tax returns.

Results of Continuing Operations

This section of this Annual Report on Form 10-K generally discusses fiscal year 2024 and 2023 items and year-to-year comparisons between the years ended 2024 and 2023 for continuing operations, except as noted. Refer to *Note 23. Discontinued Operations* to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for additional financial information related to our discontinued operations.

For the comparison of fiscal years 2023 and 2022, refer to Part II, Item 7 "Management's discussion and analysis of financial condition and results of operations" on Form 10-K for our fiscal year ended December 31, 2023, filed with the SEC on February 29, 2024, under the subheadings "Year Ended December 31, 2023 Compared to Year Ended December 31, 2022" and "Liquidity and Capital Resources".

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

	2024	2023	2024 vs. 2023	
Consolidated Statements of Operations Data	*(in thousands)*		*(change in thousands)*	*% favorable / (unfavorable)*
Revenue	$1,186,490	$1,129,193	$ 57,297	5.1 %
Cost of goods sold	470,745	540,565	(69,820)	12.9 %
Gross profit	715,745	588,628	127,117	21.6 %
Expenses:				
Sales and marketing	257,716	240,165	17,551	(7.3)%
General and administrative	252,735	145,997	106,738	(73.1)%
Depreciation and amortization	112,806	109,825	2,981	(2.7)%
Impairments and disposals of long-lived assets, net of (recoveries)	(5,292)	6,664	(11,956)	179.4 %
Impairment of goodwill	—	307,590	(307,590)	— %
Total expenses	617,965	810,241	(192,276)	23.7 %
Income (loss) from operations	97,780	(221,613)	319,393	144.1 %
Other income (expense):				
Interest expense, net	(62,193)	(81,569)	19,376	23.8 %
Interest income	14,678	6,164	8,514	138.1 %
Debt extinguishments, net	—	5,937	(5,937)	— %
Other (expense) income, net	(7,551)	6,544	(14,095)	(215.4)%
Total other expense, net	(55,066)	(62,924)	7,858	12.5 %
Income (loss) before provision for income taxes	42,714	(284,537)	327,251	115.0 %
Provision for income taxes	197,589	151,358	46,231	(30.5)%
Net loss from continuing operations	(154,875)	(435,895)	281,020	64.5 %
Net loss from discontinued operations, net of tax benefit of zero and $4,101, respectively	(5,702)	(97,241)	91,539	94.1 %
Net loss	$ (160,577)	$ (533,136)	$ 372,559	69.9 %

Percentage of Revenue	2024	2023
Cost of goods sold	39.7 %	47.9 %
Gross profit	60.3 %	52.1 %
Sales and marketing	21.7 %	21.3 %

Revenue

Revenue for the year ended December 31, 2024 was $1.19 billion, an increase of $57.3 million, or 5.1%, from $1.13 billion for the year ended December 31, 2023. The increase was primarily driven by a $45.3 million increase in retail revenue and a $12.0 million increase in wholesale and other revenue.

The increase in retail revenue was partially driven by the opening of additional dispensaries and increased productivity in existing dispensaries; the Company operated 225 dispensaries as of December 31, 2024, compared to 192 as of December 31, 2023. Additionally, Maryland became an adult-use market in July 2023 providing a full twelve months of adult-use revenue for 2024 in comparison to 2023.

The increase in wholesale and other revenue was primarily driven by higher wholesale revenue in Maryland with a full year of adult-use sales in 2024 compared to six months of adult-use sales in 2023. Additionally, wholesale revenue in Pennsylvania saw an increase over the comparable period through growth in the wholesale customer base in Pennsylvania in 2024.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the year ended December 31, 2024 was $470.7 million, a decrease of $69.8 million, or 12.9%, from $540.6 million for the year ended December 31, 2023. Cost of goods sold as a percentage of revenue was 39.7% for the year ended December 31, 2024 as compared to 47.9% for the year ended December 31, 2023. Gross profit for the year ended December 31, 2024 was $715.7 million, an increase of $127.1 million, or 21.6%, from $588.6 million for the year ended December 31, 2023. Gross profit as a percentage of revenue was 60.3% for the year ended December 31, 2024 as compared to 52.1% for the year ended December 31, 2023, which was primarily driven by increased revenue and decreased cost of goods sold reflecting year-over-year improvements in at-scale cost efficiencies from our production facilities as well as a disciplined approach to promotional activity in the current year.

Sales and Marketing Expense

Sales and marketing expense for the year ended December 31, 2024 was $257.7 million, an increase of $17.6 million, or 7.3%, from $240.2 million for the year ended December 31, 2023. The increase was primarily driven by 33 new stores, which was partially offset by retail payroll efficiencies. Sales and marketing expense as a percentage of revenue was 21.7% for the year ended December 31, 2024, compared to 21.3% for the year ended December 31, 2023. Even though there was an increase in the number of operating stores, sales and marketing expense as a percentage of revenue remained relatively consistent as a result of retail payroll efficiencies.

General and Administrative Expense

General and administrative expense for the year ended December 31, 2024 was $252.7 million, an increase of $106.7 million or, 73.1%, from $146.0 million for the year ended December 31, 2023. The increase was primarily from legislative campaign contributions totaling $117.5 million for the year ended December 31, 2024 as compared to $20.1 million for the year ended December 31, 2023. The increase from prior year also resulted from increases in compensation-related expenses, including share based compensation expense driven by the timing of award grants and decreased forfeitures, along with increased expenses for information technology upgrades in 2024 compared to 2023.

Depreciation and Amortization Expense

Depreciation and amortization expense for the year ended December 31, 2024 was $112.8 million, an increase of $3.0 million, or 2.7%, from $109.8 million for the year ended December 31, 2023. The increase was primarily attributable to higher amortization expense driven by investments in internal-use software in 2024.

Impairment and Disposal of Long-lived Assets, Net of (Recoveries)

Impairment and disposal of long-lived assets, net of recoveries for the year ended December 31, 2024 was a gain of $5.3 million compared to a loss of $6.7 million for the year ended December 31, 2023. In 2024 we received insurance recoveries totaling $8.4 million, which was partially offset by asset disposal activities of underperforming assets. In 2023 we had asset disposal activities of underperforming assets.

Impairment of Goodwill

Impairment of goodwill was zero for the year ended December 31, 2024 compared to $307.6 million for the year ended December 31, 2023. Based on the results of the Company's goodwill impairment procedures in the second quarter of 2023, the Company recorded a $307.6 million goodwill impairment for its single reporting unit.

Interest Expense, Net

Interest expense, net for the year ended December 31, 2024 was $62.2 million, a decrease of $19.4 million, or 23.8%, from $81.6 million for the year ended December 31, 2023. The decrease in interest expense primarily resulted from debt retirements in September 2023 and December 2023 of $57.0 million and $130.0 million, respectively. The decrease was partially offset by interest expense on a $25.0 million mortgage note executed in December 2023.

Interest Income

Interest income for the year ended December 31, 2024 was $14.7 million, an increase of $8.5 million, or 138.1%, from $6.2 million for the year ended December 31, 2023. The increase was due to an increase in funds invested in high-yield money market funds and short-term certificates of deposit in 2024.

Debt Extinguishments, Net

Debt extinguishments, net for the year ended December 31, 2024 was zero compared to a net gain totaling $5.9 million for the year ended December 31, 2023. In 2023, the Company repurchased senior secured notes at a 16.5% discount to par which resulted in a $8.2 million gain on extinguishment. This was partially offset by a $2.4 million loss on extinguishment in the fourth quarter of 2023 when we completed an early redemption of two private placement notes, totaling $130.0 million, which represented a redemption price of 100% of the principal amounts outstanding.

Other (Expense) Income, Net

Other expense, net was $7.6 million for the year ended December 31, 2024, a change of $14.1 million from other income, net of $6.5 million for the year ended December 31, 2023. The change was primarily a result of the provision for credit losses recorded on non-operating notes receivable in 2024, compared to gains recognized on sales of non-operating assets and non-recurring settlements in 2023.

Provision for Income Taxes

The provision for income taxes for the year ended December 31, 2024 was $197.6 million, an increase of $46.2 million, or 30.5%, from $151.4 million for the year ended December 31, 2023. The provision for income taxes as a percentage of gross profit was 27.6% for the year ended December 31, 2024, compared to 25.7% for the year ended December 31, 2023. The increase in tax expense for 2024 was driven by an increase in gross profit for the period, the one-time impact of changing certain state tax filing methods which requires a revaluation of deferred taxes in those states, and an increase in interest expense on uncertain tax positions.

Management's Use of Non-GAAP Measures

Our management uses a financial measure that is not in accordance with generally accepted accounting principles in the U.S., or GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. This non-GAAP financial measure should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with GAAP. Adjusted EBITDA is a financial measure that is not defined under GAAP. Our management uses this non-GAAP financial measure and believes it enhances an investor's understanding of our financial and operating performance from period to period because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of our ongoing operations and performance. EBITDA is calculated as net loss before net interest expense, interest income, provision for income taxes, and depreciation and amortization. Adjusted EBITDA is calculated as net loss before net interest expense, interest income, provision for income taxes, and depreciation and amortization, which is then adjusted for items that we do not believe represent the operations of the core business such as acquisition, transaction and other non-recurring costs including major system changes as well as contributions to specific initiatives, impairments and disposals of long-lived assets including goodwill, discontinued operations, share-based compensation, debt extinguishments, and other income and expense items.

We report Adjusted EBITDA to help investors assess the operating performance of the Company's business. The financial measure noted above is a metric that has been adjusted from the GAAP net income measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure.

As noted above, our Adjusted EBITDA is not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net income, which is the most directly comparable financial measure calculated and presented in accordance with GAAP. Because of these limitations, we consider, and you should consider, Adjusted EBITDA together with other operating and financial performance measures presented in accordance with GAAP. A reconciliation of net income, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBITDA, has been included herein immediately following our discussion of "Adjusted EBITDA".

Adjusted EBITDA

Adjusted EBITDA was $420.2 million for the year ended December 31, 2024, an increase of $97.9 million, or 30.4%, from $322.3 million for the year ended December 31, 2023. Adjusted EBITDA as a percentage of revenue was 35.4% for the year ended December 31, 2024 as compared to 28.5% for the year ended December 31, 2023. The increase primarily resulted from increased revenue and improved gross profit.

Adjusted EBITDA was $322.3 million for the year ended December 31, 2023, a decrease of $75.9 million, or 19%, from $398.2 million for the year ended December 31, 2022. The decrease was primarily due to increased competition and margin pressure, which was partially offset by efficiencies in payroll costs primarily in our retail locations and streamlining efforts.

The following table presents a reconciliation of net loss attributable to common shareholders (GAAP) to non-GAAP Adjusted EBITDA, for the periods presented:

	Year Ended December 31,		
	2024	**2023**	**2022**
		(in thousands)	
Net loss attributable to common shareholders	$ (155,105)	$ (526,796)	$ (246,064)
Add (deduct) impact of:			
Interest expense, net	62,193	81,569	73,422
Interest income	(14,678)	(6,164)	(1,631)
Provision for income taxes	197,589	151,358	163,380
Depreciation and amortization	112,806	109,825	116,381
Depreciation included in cost of goods sold	53,564	57,195	46,933
EBITDA (Non-GAAP)	256,369	(133,013)	152,421
Impairment of goodwill	—	307,590	—
Impairments and disposals of long-lived assets, net of (recoveries)	(5,292)	6,664	75,547
Legislative campaign contributions	117,470	20,062	20,000
Acquisition, transaction, and other non-recurring costs	18,228	26,889	67,105
Share-based compensation	20,202	10,575	18,124
Debt extinguishments, net	—	(5,937)	—
Other expense (income), net	7,551	(6,544)	(2,388)
Discontinued operations, net of tax, attributable to common shareholders	5,702	96,048	67,440
Total adjustments	163,861	455,347	245,828
Adjusted EBITDA (Non-GAAP)	$ 420,230	$ 322,334	$ 398,249

Adjusted EBITDA (Non-GAAP) % of Revenue	35.4 %	28.5 %	32.7 %

Liquidity and Capital Resources

Sources of Liquidity

Since our inception, we have funded our operations and capital spending through cash flows from product sales, third-party debt, proceeds from the sale of our capital stock and loans from affiliates and entities controlled by our affiliates. We are generating cash from operations and are deploying our capital reserves to acquire and develop assets capable of producing additional revenues to support our business growth. Our current principal sources of liquidity are our cash and cash equivalents provided by our operations as well as debt and equity offerings. The Company has generated, and expects to generate, additional cash from operations. Cash and cash equivalents consist primarily of cash on deposit with banks and money market funds.

Our primary uses of cash are for working capital requirements, capital expenditures, debt service payments, and income tax payments. Additionally, we may use cash to support cannabis market expansion related initiatives, such as Smart & Safe Florida that we contributed to in 2023 and 2024. Working capital is used principally for personnel expenses as well as costs related to the cultivation, processing and distribution of our products. Our capital expenditures consist primarily of additional cultivation and processing facilities and retail dispensaries, and improvements to existing facilities to support the long-term growth in markets with adult-use catalysts. In 2024, our debt service payments consist primarily of interest payments.

As of December 31, 2024, cash and cash equivalents were $238.8 million and we had $60.4 million invested in certificates of deposit, classified as short-term investments due to their original maturity dates which all matured in January 2025. We believe our existing cash balances and short-term investments will be sufficient to meet our anticipated cash requirements from the date of this Annual Report on Form 10-K through at least the next 12 months. Any additional future requirements will be funded through the following sources of capital:

- Cash from ongoing operations,
- Equity or debt financings.

Cash Flows

The consolidated statements of cash flows include continuing operations and discontinued operations. The table below highlights our cash flows for the years ended December 31:

	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 271,484	$ 201,841
Net cash used in investing activities	(206,615)	(37,470)
Net cash used in financing activities	(33,439)	(175,585)
Net increase (decrease) in cash and cash equivalents	$ 31,430	$ (11,214)

Cash Flows - Operating Activities

Net cash provided by operating activities was $271.5 million for the year ended December 31, 2024, an increase of $69.6 million, compared to $201.8 million in net cash provided by operating activities during the year ended December 31, 2023. The improvement was primarily due to the $127.1 million increase in gross profit driven by higher revenues and improved gross margin as well as the reduction in net tax payments of $99.6 million, primarily related to the impact from the Company's position that it does not owe taxes attributable to the application of Section 280E of the Internal Revenue Code (inclusive of $52.0 million in refunds received from amended returns based on this position). This was partially offset by a $97.4 million increase in payments for legislative campaign contributions. Operating cash flows in the comparative period benefited from the $83.3 million decrease in inventories versus the $18.7 million increase for the current period.

Cash Flows - Investing Activities

Net cash used in investing activities was $206.6 million for the year ended December 31, 2024, an increase of $169.1 million, compared to $37.5 million in net cash used in investing activities for the year ended December 31, 2023. The increase primarily reflects the Company's $60.4 million net investment into certificates of deposit as well as higher purchases of property and equipment and internal-use software in 2024 to support the long-term growth of the business. Additionally, there was a decrease in disposal of assets activity in 2024 which resulted in a decrease of $11.4 million in proceeds.

Cash Flows - Financing Activities

Net cash used in financing activities was $33.4 million for the year ended December 31, 2024, a decrease of $142.1 million, compared to $175.6 million in net cash used in financing activities for the year ended December 31, 2023. The decrease is primarily related to $160.8 million in net debt activity compared to the comparable period. This was partially offset by a $12.2 million payment made in 2024 for taxes related to a one-time net share settlement of RSUs for two executive officers as well as a consolidated VIE settlement transaction and the related costs incurred.

Balance Sheet Exposure

As of December 31, 2024 and 2023, 100% of our consolidated balance sheets are exposed to U.S. cannabis-related activities, and substantially all our revenue is from U.S. cannabis operations. We believe our operations are in material compliance with all applicable state and local laws, regulations, and licensing requirements in the states in which we operate. However, cannabis remains illegal under U.S. federal law. For information about risks related to U.S. cannabis operations, please refer to the “Risk Factors” section of this Annual Report on Form 10-K.

Contractual Obligations

As of December 31, 2024, we had the following contractual obligations to make future payments, representing material contracts and other commitments that are known and committed:

	<1 Year	1 to 3 Years	3 to 5 Years	>5 Years	Total
			(in thousands)		
Private placement notes	$ —	$ 368,000	$ —	$ —	$ 368,000
Notes payable	3,407	12,255	86,301	15,114	117,077
Operating lease liabilities	26,472	53,024	49,110	99,822	228,428
Finance lease liabilities	16,628	32,308	27,521	33,586	110,043
Construction finance liabilities	23,140	48,281	51,077	269,774	392,272
Other	488	976	969	2,102	4,535
Total (1)	$ 70,135	$ 514,844	$ 214,978	$ 420,398	$ 1,220,355

(1) Includes liabilities due in relation to our discontinued operations and excludes $445.2 million of uncertain tax position liabilities as we cannot make a reasonably reliable estimate of the period of potential cash settlement with the respective taxing authorities.

For additional information on our commitments for financing arrangements, future lease payments, lease guarantees, uncertain tax position, and other obligations, see Item 8, *Note 10. Long-Term Borrowings, Note 11. Leases*, *Note 12. Construction Finance Liabilities, Note 16. Income Taxes, Note 23. Discontinued Operations,* and *Note 20. Commitments And Contingencies.*

As of the date of this Annual Report on Form 10-K, we do not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of, including, and without limitation, such considerations as liquidity and capital resources.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in conformity with GAAP. In preparation of these financial statements, our management is required to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Management considers an accounting judgment, estimate, or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates, and assumptions could have a material impact on the consolidated financial statements. Our significant accounting policies are described in *Note 3. Summary Of Significant Accounting Policies* to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further information.

In preparation of these financial statements, management applied critical estimates and assumptions while determining net realizable value of inventory, estimating uncertain tax provisions, and performing impairment assessments on long-lived assets and goodwill.

Inventory Valuation

In accordance with GAAP, we value inventory at the lower of cost or net realizable value. Our assessment of net realizable value is a critical accounting estimate due to the emerging and evolving cannabis industry, which makes it subject to significant fluctuations and uncertainty. Inventory valuation adjustments are reflected in cost of goods sold on the consolidated statements of operations.

Management uses available information at a point in time to determine net realizable value. The actual amount received on a sale could differ from the estimated value of inventory. In determining net realizable value, we consider several factors that require judgment, including expected future demand, future market conditions, and future selling prices.

Uncertain Tax Positions

Tax authorities have the ability to review and challenge matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the sustainability of tax attributes. The ultimate resolution of such uncertainties could last several years. The Company utilizes internal and external expertise in interpreting tax laws to support the Company's tax positions and records uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. If management believes the likelihood of a tax position being sustained by a taxing authority is 50% or less, the position is not recognized.

The IRS has taken the position Section 280E of the IRC prevents cannabis companies from deducting any business expenses other than those properly included in cost of goods sold (e.g., costs associated with producing the products or costs of production). The Company has taken a position that Section 280E of the IRC does not preclude it from deducting ordinary and necessary business expenditures on its tax returns. As a result, as of December 31, 2024, $412.6 million in uncertain tax positions were recorded for the Company's tax positions.

Impairment Assessments

The Company reviews long-lived assets, including property and equipment, definite life intangible assets, and right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy of the business, a significant decrease in the market value of the assets or significant negative industry or economic trends. In accordance with Accounting Standards Codification ("*ASC") 360-10*, when evaluating long-lived assets with impairment indicators for potential impairment, we first compare the carrying value of the asset to its estimated undiscounted cash flows. If the sum of the estimated undiscounted cash flows is less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to its estimated fair value, which is typically based on estimated discounted future cash flows. We recognize an impairment loss if the amount of the asset’s carrying value exceeds the asset’s estimated fair value.

Goodwill is allocated at the date the goodwill is initially recorded. We have one operating segment and reporting unit, and evaluate goodwill for impairment as one singular reporting unit. We evaluate our goodwill for impairment annually at the beginning of the fourth quarter or earlier upon the occurrence of substantive unfavorable changes in economic conditions, industry trends, costs, cash flows, or ongoing declines in market capitalization. The Company applies the guidance in *ASC 350 Intangibles - Goodwill and Other* which provides entities with an option to perform a qualitative assessment (commonly referred to as “Step Zero”) to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing Step Zero for the Company’s goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company’s business, industry and market trends, trending of the Company's share price and the resulting market capitalization of the Company, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

The quantitative impairment test requires judgment, including the identification of reporting units, the assignment of assets, liabilities, and goodwill to reporting units, and the determination of fair value of each reporting unit. The impairment test requires the comparison of the fair value of a reporting unit with the carrying amount, including goodwill. If the Company concludes a quantitative impairment test is required, the Company would review fair value techniques for the most appropriate technique, generally applying the market approach as the Company is publicly traded and has a single reporting unit. Application of the market approach requires the Company to estimate fair value based upon multiples of comparable public companies. Significant estimates in the market approach include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment, as well as assessing comparable market multiples in estimating the fair value of the reporting unit. In addition, the Company may utilize control premiums which are obtained from transactions of comparable publicly traded companies to calculate a reasonable control premium. The reporting unit may be at risk of failing the quantitative impairment test if it has a fair value that is not substantially in excess of the carrying amount at the assessment date.

For the Company's 2024 annual impairment test, the Company performed a Step Zero assessment and did not identify any events or changes in circumstances that would indicate the carrying amount of goodwill may be impaired.