**TRULIEVE CANNABIS CORP.**
**MANAGEMENT DISCUSSION AND ANALYSIS**
**FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

*This management discussion and analysis of the financial condition and results of operations ("**MD&A**") of Trulieve Cannabis Corp. and its subsidiaries ("**Trulieve**" or, the "**Corporation**") is for the three and nine months ended September 30, 2020. It is supplemental to, and should be read in conjunction with, the Corporation's unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended September 30, 2020. The Corporation's unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All dollar amounts presented in this MD&A are presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated.*

*This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.*

Further information about the Corporation, its operations and other continuous disclosure documents, including the Corporation's Annual Information Form, is available through filings with the securities regulatory authorities in Canada under the Corporation's profile at www.sedar.com.

This MD&A was prepared as of November 17th, 2020.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the performance of the Corporation's business and operations; the receipt and/or maintenance by the Corporation of required licenses and permits in a timely manner or at all; the intention to grow the business and operations of the Corporation; the expected growth in the number of the people using medical and/or adult use cannabis products; expectations of market size and growth in the United States; the competitive conditions and increasing competition of the cannabis industry; applicable laws, regulations and any amendments thereof; the competitive and business strategies of the Corporation; the Corporation's operations in the United States, the characterization and consequences of those operations under federal United States law, and the framework for the enforcement of medical and adult use cannabis and cannabis-related offenses in the United States; the completion of additional cultivation and production facilities; the general economic, financial market, regulatory and political conditions in which the Corporation operates; the United States regulatory landscape and enforcement related to cannabis, including political risks; anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; United States border entry; heightened scrutiny of cannabis companies in Canada and the United States; the enforceability of contracts; reliance on the expertise and*

*judgment of senior management of the Corporation; proprietary intellectual property and potential infringement by third parties; the concentrated voting control of the Corporation by certain shareholders of the Corporation and the unpredictability caused by the capital structure; the management of growth; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; security risks; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; the medical benefits, viability, safety, efficacy and social acceptance of cannabis; the availability of financing opportunities, the ability to make payments on existing indebtedness; risks associated with economic, political and social conditions; risks related to contagious disease, particularly COVID-19 (Coronavirus); dependence on management; and other risks described in this MD&A and described from time to time in documents filed by the Corporation with Canadian securities regulatory authorities.*

*The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt and/or maintenance of required licenses and third party consents; and (ii) the success of the operations of the Corporation, are based on estimates prepared by the Corporation using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the current marijuana industry involves risks and uncertainties and are subject to change based on various factors. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks described above and other factors beyond the Corporation's control, as more particularly described under the heading "Risk Factors" in this MD&A. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Corporation. The cautionary statements contained or referred to in this MD&A should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation and/or persons acting on its behalf may issue. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.*

## OVERVIEW OF THE CORPORATION

### Business of Trulieve

Trulieve is a multi-state cannabis operator which currently operates under licenses in five states. Headquartered in Quincy, Florida, the Corporation is focused on being the brand leader for quality medical and recreational cannabis products and service in all markets it serves. As of September 30, 2020, Trulieve employed almost 4,000 people and is committed to providing patients a consistent and welcoming retail experience across Trulieve branded stores.

Trulieve has five material subsidiaries, being Trulieve, Inc. ("**Trulieve US**"), Leef Industries, Inc. ("**Leaf Industries**"), Life Essence, Inc. ("**Life Essence**"), Trulieve Holdings, Inc. ("**Trulieve Holdings**"), and Trulieve Bristol, Inc. (formerly The Healing Corner, Inc. and referred to herein as "**Healing Corner**"). Trulieve US, Leef Industries, Life Essence, Trulieve Holdings and Healing Corner are wholly owned (directly or indirectly) by Trulieve.

*Florida*

Trulieve US is a vertically integrated "seed to sale" cannabis company and is the first and largest fully licensed medical marijuana company in the State of Florida. Trulieve US cultivates and produces all its products in-house and distributes those products to patients through Trulieve branded stores (dispensaries) throughout the State of Florida, as well as directly to patients via home delivery. Trulieve's experience in the vertically integrated market of Florida has given the Corporation the ability to scale and penetrate in all necessary business segments (cultivation, production, sales and distribution). The Corporation has leveraged this capacity to secure and maintain the position of market leader in Florida and to inject that expertise effectively into other regulated market opportunities.

As of September 30, 2020, Trulieve US operated over 1,780,408 square feet of cultivation facilities across five sites. In accordance with Florida law, Trulieve US grows in secure enclosed indoor facilities and greenhouse structures.

Trulieve US operates a Good Manufacturing Practices ("**GMP**") certified processing facility encompassing approximately 55,000 square feet. In line with its patient-first mantra, Trulieve has developed a suite of Trulieve-branded products with over 500 stock keeping units ("**SKUs**") including smokable flower, vaporizer cartridges, concentrates, topicals, capsules, tinctures, dissolvable powders, and nasal sprays. This wide variety of products gives patients the ability to select from numerous effective products in their preferred form or route of administration. Trulieve distributes its products to patients in Trulieve-branded retail stores and by home delivery. As of September 30, 2020, Trulieve US operated 59 stores, encompassing 183,247 square feet of retail space, throughout the State of Florida.

*Massachusetts*

Life Essence is currently in the permitting and development phase for multiple adult-use and medical cannabis retail locations in Massachusetts, as well as a cultivation and product manufacturing facility. Life Essence has been awarded Provisional Certificates of Registration from the Massachusetts Department of Public Health (now under authority of Cannabis Control Commission) to operate medical Marijuana Treatment Centers in Cambridge, Holyoke, and Northampton and a medical marijuana cultivation and processing facility in Holyoke. Following completion of construction, receipt of Final Certificates of Registration and local permitting, Life Essence will engage in medical cannabis cultivation, processing and retailing in Massachusetts. Life Essence also has provisional adult-use license licenses and has entered Host Community Agreements with the City of Holyoke and the City of Northampton that, subject to other state and local approvals, authorize Life Essence to cultivate and process adult-use cannabis in Holyoke and conduct adult-use sales in the City of Northampton.

*California*

Leef Industries operates a licensed medical and adult-use cannabis dispensary located in Palm Springs, California. Trulieve believes Leef Industries has demonstrated encouraging growth in the market, offering in-store and online shopping, along with product home delivery.

*Connecticut*

Healing Corner is a licensed medical cannabis dispensary located in Connecticut. Healing Corner was founded in 2014 and provides a range of medical marijuana products from its dispensary in Bristol, Connecticut. Patients may also reserve their medical marijuana order through Healing Corner's Canna-Fill online system. Healing Corner scored the highest of all applicants on the first Request for Application for licensing and serves approximately 10% of Connecticut's medical marijuana patient population.

*Pennsylvania*

On September 16, 2020, the Company entered into definitive agreements pursuant to which it has agreed to acquire 100% of the membership interests of both PurePenn LLC and Pioneer Leasing & Consulting

LLC (collectively "PurePenn"). PurePenn operates marijuana cultivation and manufacturing facilities in the Pittsburgh, Pennsylvania area, and currently wholesales to 100% of the operating dispensaries in Pennsylvania. As of June 30, 2020, PurePenn has 35,000 square feet of cultivation with the ability to produce 461,207 grams of finished product annually. PurePenn has an exclusive, royalty free license to sell the Moxie brand in Pennsylvania. The acquisition closed on November 12, 2020.

On September 16, 2020, the Company entered into definitive agreements pursuant to which it has agreed to acquire 100% of the membership interests of Keystone Relief Centers LLC (doing business as "Solevo Wellness"). Solevo Wellness operates three medical marijuana dispensaries, each with 6 POSs, in the Pittsburgh, Pennsylvania area. The acquisition closed on November 12, 2020.

## DESCRIPTION OF THE UNITED STATES LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities ("**Staff Notice 51-352**"), below is a discussion of the federal and state-level United States regulatory regimes in those jurisdictions where the Corporation is currently directly involved, through its subsidiaries, in the cannabis industry. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

### Regulatory Overview

Below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where we are currently directly involved, through our subsidiaries, in the cannabis industry. Trulieve US is directly engaged in the manufacture, possession, sale or distribution of cannabis in the medicinal cannabis marketplace in the State of Florida. Leef Industries is directly involved in the possession, use, sale and distribution of cannabis in the medicinal and adult-use cannabis marketplace in the State of California. Life Essence is in the process of building out its infrastructure to engage in cannabis cultivation, processing and retailing in the medicinal and adult-use cannabis marketplace in the Commonwealth of Massachusetts.

*Federal Regulation of Cannabis in the United States*

The United States federal government regulates drugs in large part through the Controlled Substances Act, or CSA. Marijuana, which is a form of cannabis, is classified as a Schedule I controlled substance. As a Schedule I controlled substance, the federal Drug Enforcement Agency, or DEA, considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision. According to the U.S. federal government, cannabis having a concentration of tetrahydrocannabinol, or THC, greater than 0.3% is marijuana. Cannabis with a THC content below 0.3% is classified as hemp. The scheduling of marijuana as a Schedule I controlled substance is inconsistent with what we believe to be widely accepted medical uses for marijuana by physicians, researchers, patients, and others. Moreover, despite the clear conflict with U.S. federal law, 33 states and the District of Columbia have legalized marijuana for medical use, while 11 of those states and the District of Columbia have legalized the adult-use of cannabis for recreational purposes. As further evidence of the growing conflict between the U.S. federal treatment of cannabis and the societal acceptance of cannabis, the FDA on June 25, 2018 approved Epidiolex. Epidiolex is an oral solution with an active ingredient derived from the cannabis plant for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first FDA-approved drug that contains a purified substance derived from the cannabis plant. In this case, the substance is cannabidiol, or CBD, a chemical component of marijuana that does not contain the psychoactive properties of THC.

Unlike in Canada, which uniformly regulates the cultivation, distribution, sale and possession of marijuana at the federal level under the Cannabis Act (Canada), marijuana is largely regulated at the state

level in the United States. State laws regulating marijuana are in conflict with the CSA, which makes marijuana use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use marijuana production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of marijuana and any related drug paraphernalia is illegal. Although our activities are compliant with the applicable state and local laws in those states where we maintain such licenses (Florida, California, Massachusetts and Connecticut), strict compliance with state and local laws with respect to cannabis may neither absolve us of liability under United States federal law nor provide a defense to any federal criminal action that may be brought against us.

In 2013, as more and more states began to legalize medical and/or adult-use marijuana, the federal government attempted to provide clarity on the incongruity between federal law and these state-legal regulatory frameworks. Until 2018, the federal government provided guidance to federal agencies and banking institutions through a series of DOJ memoranda. The most notable of this guidance came in the form of a memorandum issued by former U.S. Deputy Attorney General James Cole on August 29, 2013, which we refer to as the Cole Memorandum.

The Cole Memorandum offered guidance to federal agencies on how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states and quickly set a standard for marijuana-related businesses to comply with. The Cole Memorandum put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;

2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;

3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;

4. Preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;

5. Preventing violence and the use of firearms in the cultivation and distribution of marijuana;

6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;

7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and

8. Preventing marijuana possession or use on federal property.

On January 4, 2018, former United States Attorney General Sessions rescinded the Cole Memorandum by issuing a new memorandum to all United States Attorneys, which we refer to as the Sessions Memo. Rather than establishing national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under state law, the Sessions Memo simply rescinded the Cole Memorandum and instructed that “in deciding which marijuana activities to prosecute... with the [DOJ’s] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions.” Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

Attorney General William Barr, who succeeded Attorney General Sessions has not provided a clear policy directive for the United States as it pertains to state-legal marijuana-related activities.

Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to marijuana (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law. Currently, in the absence of uniform federal guidance, as had been established by the Cole memorandum, enforcement priorities are determined by respective United States Attorneys.

As an industry best practice, despite the rescission of the Cole Memorandum, we abide by the following standard operating policies and procedures, which are designed to ensure compliance with the guidance provided by the Cole Memorandum:

1. Continuously monitor our operations for compliance with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;

2. Ensure that our cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);

3. Implement policies and procedures to prevent the distribution of our cannabis products to minors;

4. Implement policies and procedures in place to avoid the distribution of the proceeds from our operations to criminal enterprises, gangs or cartels;

5. Implement an inventory tracking system and necessary procedures to reliably track inventory and prevent the diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or across any state lines in general;

6. Monitor the operations at our facilities so that our state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs or engaging in any other illegal activity; and

7. Implement quality controls so that our products comply with applicable regulations and contain necessary disclaimers about the contents of the products to avoid adverse public health consequences from cannabis use and discourage impaired driving.

In addition, we frequently conduct background checks to confirm that the principals and management of our operating subsidiaries are of good character and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or the use of firearms in the cultivation, manufacturing or distribution of cannabis. We also conduct ongoing reviews of the activities of our cannabis businesses, the premises on which they operate and the policies and procedures that are related to the possession of cannabis or cannabis products outside of the licensed premises.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has passed a so-called “rider” provision in the FY 2015, 2016, 2017, 2018, 2019 and 2020 Consolidated Appropriations Acts to prevent the federal government from using Congressionally appropriated funds to enforce federal marijuana laws against state regulated medical marijuana actors operating in compliance with state and local law. The rider is known as the “Rohrabacher-Farr” Amendment after its original lead sponsors (it is also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce-Leahy” Amendment). In signing the 2019 Consolidated Appropriations Act, President Trump issued a signing statement noting that the Act “provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories,” and further stating “[he] will treat this provision consistent with the President’s

constitutional responsibility to faithfully execute the laws of the United States." The President again extended appropriations to federal government agencies when he signed a Continuing Resolution dated December 20, 2019, which expired September 30, 2020. This Continuing Resolution again included the Rohrabacher Farr Amendment, and again the President issued the same signing statement he made with the Consolidated Appropriations Act of 2019. While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of marijuana, the President did issue a similar signing statement in 2017 and 2020 and no major federal enforcement actions followed. Notably, Rohrabacher-Farr has applied only to medical marijuana programs and has not provided the same protections to enforcement against adult-use activities.

***United States Border Entry***

The United States Customs and Border Protection, or CBP, enforces the laws of the United States as they pertain to lawful travel and trade into and out of the U.S. Crossing the border while in violation of the CSA and other related United States federal laws may result in denied admission, seizures, fines, and apprehension. CBP officers administer determine the admissibility of travelers who are non-U.S. citizens into the United States pursuant to the United States Immigration and Nationality Act. An investment in our Subordinate Voting Shares, if it became known to CBP, could have an impact on a non-U.S. citizen's admissibility into the United States and could lead to a lifetime ban on admission.

Because marijuana remains illegal under United States federal law, those investing in Canadian companies with operations in the United States cannabis industry could face detention, denial of entry, or lifetime bans from the United States for their business associations with United States marijuana businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers that previous use of marijuana, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the marijuana industry in the United States could also be reason enough for CBP to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because marijuana continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to marijuana in the United States (such as Trulieve), who are not United States citizens, face the risk of being barred from entry into the United States.

***Anti-Money Laundering Laws and Access to Banking***

The Corporation is subject to a variety of laws and regulations in the United States that involve anti-money laundering, financial recordkeeping and the proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (referred to herein as the "Bank Secrecy Act"), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

Additionally, under United States federal law, it may potentially be a violation of federal anti-money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Banks and other financial institutions could potentially be prosecuted and convicted of money laundering under the Bank Secrecy Act for providing services to cannabis businesses. Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other financial service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states that have legalized medical or adult-use marijuana, FinCEN, in 2014, issued guidance, or the FinCEN Guidance, to prosecutors of money laundering and other financial crimes. The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that marijuana-related business activities are legal in their state and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping marijuana out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps typically include:

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;

2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;

3. Requesting available information about the business and related parties from state licensing and enforcement authorities;

4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult-use customers);

5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;

6. Ongoing monitoring for suspicious activity, including for any of the red flags described in the FinCEN Guidance; and

7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

While the FinCEN Guidance decreased some risk for banks and financial institutions considering servicing the cannabis industry, in practice it has not increased banks' willingness to provide services to marijuana-related businesses. This is because current U.S. federal law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana-related business they accept as a customer.

Those state-chartered banks and/or credit unions that have agreed to work with marijuana businesses are typically limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana-related businesses at any time and without notice, these banks and credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana-related businesses in a single day, while also keeping sufficient liquid capital on hand to service their other customers. Those state-chartered banks and credit unions that do have customers in the marijuana industry can charge marijuana businesses high fees to cover the added cost of ensuring compliance with the FinCEN Guidance.

Unlike the Cole Memorandum, however, the FinCEN Guidance has not been rescinded. The Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, has publicly stated that the

Department was not informed of any plans to rescind the Cole Memorandum and that he does not have a desire to rescind the FinCEN Guidance.

As an industry best practice and consistent with its standard operating procedures, Trulieve adheres to all customer due diligence steps in the FinCEN Guidance and any additional requirements imposed by those financial institutions it utilizes. However, in the event that any of our operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of anti-money laundering legislation or otherwise, such transactions could be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends or effect other distributions.

In the United States, the "SAFE Banking Act" has been put forth which would grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. The SAFE Banking Act has been adopted by the House of Representatives and is awaiting consideration by the U.S. Senate. While there is strong support in the public and within Congress for its passage, there can be no assurance that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

***Ability to Access Public and Private Capital***

Given the current laws regarding cannabis at the federal level in the United States, traditional bank financing is typically not available to United States marijuana companies. Specifically, since financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under anti-money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the United States must do so in compliance with the FinCEN Guidance. We have banking relationships with Florida, Massachusetts and Connecticut state-chartered banks for deposits and payroll, however we do not have access to traditional bank financing.

***Tax Concerns***

An additional challenge for marijuana-related businesses is that the provisions of Section 280E of the U.S. Tax are being applied by the IRS to businesses operating in the medical and adult-use marijuana industry. Section 280E of the U.S. Tax Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be. Furthermore, although the IRS issued a clarification allowing the deduction of cost of goods sold, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted.

***The 2018 Farm Bill***

CBD is a nonintoxicating chemical found in cannabis and is often derived from hemp, which contains, at most, only trace amounts of THC. On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018 (popularly known as the 2018 Farm Bill) into law. Until the 2018 Farm Bill became law, hemp fell within the definition of "marijuana" under the CSA and the DEA classified hemp as a Schedule I controlled substance because hemp is part of the cannabis plant.

The 2018 Farm Bill defines hemp as the plant Cannabis sativa L. and any part of the plant with a delta-9 THC concentration of not more than 0.3% by dry weight and removes hemp from the CSA. The 2018 Farm Bill requires the U.S. Department of Agriculture, or USDA, to, among other things: (1) evaluate and approve regulatory plans approved by individual states for the cultivation and production of industrial hemp, and (2) promulgate regulations and guidelines to establish and administer a program for the cultivation and production of hemp in the U.S. The regulations promulgated by the USDA will be in lieu of those states not adopting state-specific hemp regulations. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the USDA and otherwise meets the definition of hemp. The 2018 Farm Bill also explicitly preserved the authority of the FDA to regulate hemp-derived products under the U.S. Food, Drug and Cosmetic Act. The Company expects that the FDA will promulgate its own rules for the regulation of hemp-derived products in the coming year. Notwithstanding the pending FDA rules, on October 29, 2019, the USDA published its proposed rules for the regulation of hemp, (referred to herein as the "USDA Rule"). The USDA Rule will go into effect immediately upon the conclusion of the public comment period and publication in the federal register by the USDA. The USDA Rule, among other things, sets minimum standards for the cultivation and production of hemp, as well as requirements for laboratory testing of hemp.

*Compliance with Applicable State Law in the United States*

We are classified as having a "direct" involvement in the United States cannabis industry and we believe that we are in compliance with applicable state laws, as well as related licensing requirements and the regulatory frameworks enacted by the States of Florida, California, and Connecticut, and the Commonwealth of Massachusetts. We are not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have an impact on our licenses, business activities or operations. We use reasonable commercial efforts to ensure that our business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by Florida, California, Connecticut and Massachusetts through the advice of our Director of Compliance, who monitors and reviews our business practices and changes to applicable state laws and regulations, as well as United States Federal enforcement priorities. Our General Counsel works with external legal advisors in Florida, Massachusetts, California and Connecticut to ensure that we are in on-going compliance with applicable state laws.

In the United States, cannabis is largely regulated at the state level. Although each state in which we operate (and anticipate operating) authorizes, as applicable, medical and/or adult-use marijuana production and distribution by licensed or registered entities, and numerous other states have legalized marijuana in some form, under U.S. federal law, the possession, use, cultivation, and transfer of marijuana and any related drug paraphernalia remains illegal, and any such acts are criminal acts under U.S. federal law. Although we believe that our business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to marijuana may neither absolve us of liability under U.S. federal law, nor provide a defense to any federal proceeding which may be brought against us. Any such proceedings brought against us may result in a material adverse effect on our business.

***Regulation of the Medical Cannabis Market in Florida***

In 2014, the Florida Legislature passed the Compassionate Use Act, or CUA, which was a low-THC (CBD) law, allowing cannabis containing not more than 0.8%THC to be sold to patients diagnosed with severe seizures or muscle spasms and cancer. The CUA created a competitive licensing structure and originally allowed for one vertically integrated license to be awarded in each of five regions. The CUA set forth the criteria for applicants as well as the minimum qualifying criteria which included the requirement to hold a nursery certificate evidencing the capacity to cultivate a minimum of 400,000 plants, to be operated by a nurseryman and to be a registered nursery for at least 30 continuous years. The CUA also created a state registry to track dispensations. In 2016, the Florida Legislature passed the Right to Try Act, or RTA,

which expanded the State's medical cannabis program to allow for full potency THC products to be sold as "medical marijuana" to qualified patients.

In November of 2016, the Florida Medical Marijuana Legalization ballot initiative (referred to herein as the "Initiative") to expand the medical cannabis program under the RTA was approved by 71.3% of voters, thereby amending the Florida constitution. The Initiative is now codified as Article X, Section 29 of the Florida Constitution. The Initiative expanded the list of qualifying medical conditions include cancer, epilepsy, glaucoma, HIV and AIDS, ALS, Crohn's disease, Parkinson's disease, multiple sclerosis, or other debilitating medical conditions of the same kind or class or comparable to those other qualifying conditions and for which a physician believes the benefits outweigh the risks to the patient. The Initiative also provided for the implementation of state-issued medical cannabis identification cards. In 2017, the Florida Legislature passed legislation implementing the constitutional amendment and further codifying the changes set forth in the constitution into law. The 2017 law provides for the issuance of 10 licenses to specific entities and another four licenses to be issued for every 100,000 active qualified patients added to the registry. The 2017 law also initially limited license holders to a maximum of 25 dispensary locations with the ability to purchase additional dispensary locations from one another, and for an additional five locations to be allowed by the State for every 100,000 active qualified patients added to the registry. The 2017 legislation's cap on dispensing facilities expires in April 2020.

*Trulieve US License (the "Florida License")*

| **Holding Entity** | **Permit/ License** | **City** | **Expiration/Renewal Date (if applicable) (MM/DD/YY)** | **Description** |
|---|---|---|---|---|
| Trulieve, Inc. | Medical Marijuana Treatment Center | Statewide | 07/24/22 | Cultivation, Processing/ Manufacturing, Dispensary, Transport |

Under Florida law, a licensee is required to cultivate, process and dispense medical cannabis. Licenses are issued by the Florida Department of Health, Office of Medical Marijuana Use, or OMMU, and may be renewed biennially. Trulieve US received its most recent license renewal on June 13, 2018 and is classified as a Medical Marijuana Treatment Center, or MMTC, under Florida law.

In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown.

Under our license, we are permitted to sell cannabis to those patients who are entered into Florida's electronic medical marijuana use registry by a qualified physician and possess a state-issued medical marijuana identification card and a valid certification from the qualified physician. The physician determines patient eligibility as well as the routes of administration (e.g. topical, oral, inhalation) and the number of milligrams per day a patient is able to obtain under the program. The physician may order a certification for up to three 70-day supply limits of marijuana, following which the certification expires and a new certification must be issued by a physician. The number of milligrams dispensed, the category of cannabis (either low-THC or medical marijuana) and whether a delivery device such as a vaporizer has been authorized is all recorded in the registry for each patient transaction. In addition, smokable flower was approved by the legislature and signed into law in March 2019. Patients must obtain a specific recommendation from their physician to purchase smokable flower. The maximum amount a patient may obtain is 2.5 ounces (measured by weight) of smokable flower per 35-day supply.

We are authorized to sell a variety of products and offer over 500 SKUs in various product categories for sale. OMMU implemented rules regulating the production and sale of edible products in

August of 2020, and the Company's Florida licensee shortly thereafter became the first MMTC to dispense edibles in Florida. The use of hydrocarbon solvents for the extraction of products was also contemplated in the 2017 law and is also awaiting rulemaking by the OMMU.

Dispensaries may be located in any location zoned as appropriate for a pharmacy throughout the State of Florida as long as the local government has not expressly prohibited MMTC dispensaries in their respective municipality. Additionally, dispensaries must be located more than 500 feet from a public or private elementary, middle, or secondary school. Following the adoption of the cap on total dispensaries by each MMTC, as discussed above, our Florida licensee filed a claim in the Court for the Second Judicial Circuit in Leon County challenging the dispensary cap and asking the court to disregard the dispensary locations we had open and/or applied for prior to the limitation becoming effective. On February 4, 2019, we announced that we won our lawsuit in the trial court, with the court ruling that we may open an additional 14 dispensary locations based on these locations having previously vested. Moreover, the court ruled that in the alternative, the statutory caps placed on the number of dispensaries allowed across the state were not only unconstitutionally added after Amendment 2 had been approved by voters, but were also adversely impacting patient access. We have since settled our challenge with the Florida Department of Health. Our 14 dispensaries that were established before the statewide cap was enacted are now excluded from the statutory cap. The statutory cap expired in April 2020, thus neither Trulieve US nor its competitors in Florida are subject to restrictions on the number of dispensaries that may be opened. As of [August 31, 2020, we had 57] approved dispensaries in the State of Florida. In addition, our license allows us to deliver products directly to patients.

*Florida Reporting Requirements*

Florida law called for the OMMU to establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the OMMU to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when marijuana seeds are planted, when marijuana plants are harvested and destroyed and when cannabis is transported, sold, stolen, diverted, or lost. Each medical marijuana treatment center shall use the seed-to-sale tracking system established by the OMMU or integrate its own seed-to-sale tracking system with the seed-to-sale tracking system established by the OMMU. At this time the OMMU has not implemented a statewide seed-to-sale tracking system and we use our own system. Additionally, the OMMU also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to the provision of required data or proof of key events to said system in order to retain its license. Florida requires all MMTCs to abide by representations made in their original application to the State of Florida or any subsequent variances to same. Any changes or expansions of previous representations and disclosures to the OMMU must be approved by the OMMU via an amendment or variance process.

*Florida Licensing Requirements*

Licenses issued by the OMMU may be renewed biennially so long as the licensee continues to meet the requirements of the Florida Statute 381.986 and pays a renewal fee. License holders can only own one license within the State of Florida. Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture & Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the OMMU, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the OMMU, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, (ix) they ensure that a medical director

is employed to supervise the activities of the MMTC, and (x) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the OMMU, the applicant must post a performance bond of up to US $5 million, which may be reduced to US $2 million once the licensee has served 1,000 patients (which Trulieve has accomplished).

There is a pending lawsuit that challenges important aspects of the 2017 Legislation and OMMU regulations and could have an impact on our business in Florida. In December 2017, Florigrown, LLC and other plaintiffs challenged as unconstitutional aspects of the 2017 Legislation and OMMU regulations that: (1) require MMTCs to be vertically integrated (i.e., cultivate and process the cannabis to be sold at the MMTC's own licensed dispensaries); (2) that cap the total number of MMTC licenses in the state; and (3) that authorized the OMMU to issue MMTC licenses to certain applicants that met criteria defined by the 2017 legislation. On October 18, 2019, a trial judge in the Circuit Court for Leon County ruled that Florigrown, LLC had a substantial likelihood of succeeding on its claims, holding that the vertical integration and licensing cap conflicted with the language in Article X, Section 29 and that the provisions in the 2017 defining the criteria for eligibility for MMTC licensure constituted an impermissible "special law" under Article III, Section 11(a)(12) of the Florida Constitution. On July 10, 2019, an intermediate appellate court affirmed aspects of the Circuit Court for Leon County's ruling. The matter is now pending before Florida Supreme Court. Additional oral argument is scheduled before the Florida Supreme Court on October 7, 2020. This case is the result of an emergency injunction and the issue at the October 7th oral argument was in part the likelihood of success on the merits. The court could remand back to lower court and order the legislature to fix the issues of concern. We anticipate a decision in the near future.

*Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities in Florida*

Adequate outdoor lighting is required from dusk to dawn for all MMTC facilities. 24-hour per day video surveillance is required and all MMTCs must maintain at least a rolling 45-day period that is made available to law enforcement and the OMMU upon demand. Alarm systems must be active at all items for all entry points and windows. Interior spaces must also have motion detectors and all cameras must have an unobstructed view of key areas. Panic alarms must also be available for employees to be able to signal authorities when needed.

In dispensaries, the MMTC must provide a waiting area with a sufficient seating area. There must also be a minimum of one private consultation/education room for the privacy of the patient(s) and their caregiver (if applicable). The MMTC may only dispense products between 7:00 am and 9:00 pm. All active products must be kept in a secure location within the dispensary and only empty packaging may be kept in the general area of the dispensary which is readily accessible to customers and visitors. No product or delivery devices may be on display in the waiting area.

An MMTC must at all times provide secure and logged access for all cannabis materials. This includes approved vaults or locked rooms. There must be at least two employees of the MMTC or an approved security provider on site at all times. All employees must wear proper identification badges and visitors must be logged in and wear a visitor badge while on the premises. The MMTC must report any suspected activity of loss, diversion or theft of cannabis materials within 24 hours of becoming aware of such an occurrence.

*Florida Transportation Requirements*

When transporting cannabis to dispensaries or to patients for delivery, a manifest must be prepared and transportation must be done using an approved vehicle. The cannabis must be stored in a separate, locked area of the vehicle and at all times while in transit there must be two people in a delivery vehicle. During deliveries, one person must remain with the vehicle. The delivery employees must at all times have identification badges. The manifest must include the following information: (i) departure date

and time; (ii) name, address and license number of the originating MMTC; (iii) name and address of the receiving entity; (iv) the quantity, form and delivery device of the cannabis; (v) arrival date and time; (vi) the make, model and license plate of the delivery vehicle; and (vii) the name and signatures of the MMTC delivery employees. These manifests must be kept by the MMTC for inspection for up to three years. During the delivery, a copy of the manifest is also provided to the recipient.

*OMMU Inspections in Florida*

The OMMU may conduct announced or unannounced inspections of MMTC's to determine compliance with applicable laws and regulations. The OMMU is to inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The OMMU is to conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

***Regulation of the Medical Cannabis Market in Massachusetts***

The Commonwealth of Massachusetts has authorized the cultivation, possession and distribution of marijuana for medical purposes by certain licensed Massachusetts marijuana businesses. The Medical Use of Marijuana Program, or MUMP, registers qualifying patients, personal caregivers, Medical Marijuana Treatment Centers, or MTCs, and MTC agents. MTCs were formerly known as Registered Marijuana Dispensaries, or RMDs. The MUMP was established by Chapter 369 of the Acts of 2012, "An Act for the Humanitarian Medical Use of Marijuana", following the passage of the Massachusetts Medical Marijuana Initiative, Ballot Question 3, in the 2012 general election. Additional statutory requirements governing the MUMP were enacted by the Legislature in 2017 and codified at G.L. c. 94I, et. seq. (referred to herein as the "Massachusetts Medical Act"). MTC Certificates of Registration are vertically integrated licenses in that each MTC Certificate of Registration entitles a license holder to one cultivation facility, one processing facility and one dispensary locations. There is a limit of three MTC licenses per person/entity.

The Commonwealth of Massachusetts Cannabis Control Commission, or CCC, regulations, 935 CMR 501.000 et seq. (referred to herein as the "Massachusetts Medical Regulations"), provide a regulatory framework that requires MTCs to cultivate, process, transport and dispense medical cannabis in a vertically integrated marketplace. Patients with debilitating medical conditions qualify to participate in the program, including conditions such as cancer, glaucoma, positive status for human immunodeficiency virus (HIV), acquired immune deficiency virus (AIDS), hepatitis C, amyotrophic lateral sclerosis (ALS), Crohn's disease, Parkinson's disease, and multiple sclerosis (MS) when such diseases are debilitating, and other debilitating conditions as determined in writing by a qualifying patient's healthcare provider.

The CCC assumed control of the MUMP from the Department of Public Health on December 23, 2018. The CCC approved revised regulations for the MUMP effective November 1, 2019.

*Massachusetts Licensing Requirements (Medical)*

The Massachusetts Medical Regulations delineate the licensing requirements for MTCs in Massachusetts. Licensed entities must demonstrate the following: (i) they are licensed and in good standing with the Secretary of the Commonwealth of Massachusetts; (ii) no executive, member or any entity owned or controlled by such executive or member directly or indirectly controls more than three MTC licenses; (iii) an MTC may not cultivate medical cannabis from more than two locations statewide; (iv) MTC agents must be registered with the Massachusetts Cannabis Control Commission; (v) an MTC must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vi) one executive of an MTC must register with the Massachusetts Department of Criminal Justice Information Services on behalf of the entity as an organization user of the Criminal Offender Record Information (CORI) system; (vii) the MTC applicant has at least $500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (viii) payment of the required application fee.

In an MTC application, an applicant must also demonstrate or include: (i) the name, address date of birth and resumes of each executive of the applicant and of the members of the entity; (ii) a plan to obtain liability insurance coverage in compliance with statutes; (iii) detailed summary of the business plan for the MTC; (iv) an operational plan for the cultivation of marijuana including a detailed summary of policies and procedures; and (v) a detailed summary of the operating policies and procedures for the MTC including security, prevention of diversion, storage of marijuana, transportation of marijuana, inventory procedures, procedures for quality control and testing of product for potential contaminants, procedures for maintaining confidentiality as required by law, personnel policies, dispensing procedures, record keeping procedures, plans for patient education and any plans for patient or personal caregiver home delivery. An MTC applicant must also demonstrate that it has (i) a successful track record of running a business; (ii) a history of providing healthcare services or services providing marijuana for medical purposes in or outside of Massachusetts; (iii) proof of compliance with the laws of the Commonwealth of Massachusetts; (iv) complied with the laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background. Finally, an MTC applicant must specify a cultivation tier for their license, which establishes the minimum and maximum square footage of canopy for their cultivation operation.

Upon the determination by the CCC that an MTC applicant has responded to the application requirements in a satisfactory fashion, the MTC applicant is required to pay the applicable registration fee and shall be issued a provisional certificate of registration, or PCR. Trulieve's wholly owned subsidiary, Life Essence, holds the following PCRs.

*Massachusetts Licenses (Medical) (the "Massachusetts Licenses")*

| **Holding Entity** | **Permit/ License** | **City** | **Expiration/Renewal Date (if applicable) (MM/DD/YY)** | **Description** |
|---|---|---|---|---|
| Life Essence | Provisional RMD Certificate of Registration | Holyoke, MA | 12/6/21 | Dispensary<br>Cultivation/ Product Manufacturing<br>Dispensary |
| Life Essence | Provisional RMD Certificate of Registration | Northampton, MA<br>Holyoke, MA | 12/6/21 | Dispensary<br>Cultivation/ Product Manufacturing<br>Dispensary |
| Life Essence | Provisional RMD Certificate of Registration | Cambridge, MA<br>Holyoke, MA | 12/6/21 | Dispensary<br>Cultivation/ Product Manufacturing<br>Dispensary |

Thereafter, the CCC shall review architectural plans for the building of the MTC's cultivation facility and/or dispensing facilities, and shall either approve, modify or deny the same. Once approved, the MTC provisional license holder shall construct its facilities in conformance with the requirements of the Massachusetts Regulations. Once the CCC completes its inspections and issues approval for an MTC of its facilities, the CCC shall issue a final certificate of registration, or FCR, to the MTC applicant. FCRs are valid for one year and shall be renewed by filing the required renewal application no later than sixty days prior to the expiration of the certificate of registration. A licensee may not begin cultivating marijuana until it has been issued an FCR by the CCC.

PCRs and FCRs in Massachusetts are renewed annually. Before expiry, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, Life Essence would expect to receive the applicable renewed license in the ordinary course of business.

*Massachusetts Dispensary Requirements (Medical)*

An MTC shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage and waste disposal protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on MTC premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that an MTC must comply with. More specifically, an MTC is to comply with all local requirements regarding siting, provided however that if no local requirements exist, an MTC shall not be sited within a radius of 500 feet of a school, daycare center, or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed MTC. The Massachusetts Regulations require that MTCs limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. An MTC may only dispense to a registered qualifying patient or caregiver who has a current valid certification.

*Massachusetts Security and Storage Requirements (Medical)*

An MTC is to implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the MTC. These measures must include: (i) allowing only registered qualifying patients, caregivers, dispensary agents, authorized persons, or approved outside contractors access to the MTC facility; (ii) preventing individuals from remaining on the premises of an MTC if they are not engaging in activities that are permitted; (iii) disposing of marijuana or by-products in compliance with law; (iv) establishing limited access areas accessible only to authorized personnel; (v) storing finished marijuana in a secure locked safe or vault; (vi) keeping equipment, safes, vaults or secured areas securely locked; (vii) ensuring that the outside perimeter of the MTC is sufficiently lit to facilitate surveillance; and (viii) ensuring that landscaping or foliage outside of the RMD does not allow a person to conceal themselves. An MTC shall also utilize a security/alarm system that: (i) monitors entry and exit points and windows and doors, (ii) includes a panic/duress alarm, (iii) includes system failure notifications, (iv) includes 24-hour video surveillance of safes, vaults, sales areas, areas where marijuana is cultivated, processed or dispensed, and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The MTC must also maintain a backup alarm system with the capabilities of the primary system, and both systems are to be maintained in good working order and are to be inspected and tested on regular intervals.

*Massachusetts Transportation Requirements (Medical)*

Marijuana or marijuana-infused products, or MIPs, may be transported between licensed MTCs by MTC agents on behalf of an MTC. MTCs or deliver-only retailers may, with CCC approval, transport marijuana or MIPS directly to registered qualifying patients and Caregivers as part of a home delivery program. An MTC shall staff transport vehicles with a minimum of two dispensary agents. At least one agent shall remain with the vehicle when the vehicle contains marijuana or MIPs. Prior to leaving the origination location, an MTC must weigh, inventory, and account for, on video, the marijuana to be transported.

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. An MTC shall ensure that delivery times and routes are randomized. Each MTC agent shall carry his or her CCC-issued MUMP ID Card when transporting marijuana or MIPs and shall produce it to CCC representatives or law enforcement

officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. An MTC must document and report any unusual discrepancy in weight or inventory to the CCC and local law enforcement within 24 hours. An MTC shall report to the CCC and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. An MTC shall retain transportation manifests for no less than one year and make them available to the CCC upon request. Any cash received from a qualifying patient or personal caregiver must be transported to an MTC immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the MTC, be properly registered, and contain a GPS system that is monitored by the MTC during transport of marijuana and said vehicle must be inspected and approved by the CCC prior to use.

During transit, an MTC is to ensure that: (i) marijuana or MIPs are transported in a secure, locked storage compartment that is part of the vehicle transporting the marijuana or MIPs; (ii) the storage compartment cannot be easily removed (for example, bolts, fittings, straps or other types of fasteners may not be easily accessible and not capable of being manipulated with commonly available tools); (iii) marijuana or MIPs are not visible from outside the vehicle; and (iv) product is transported in a vehicle that bears no markings indicating that the vehicle is being used to transport marijuana or MIPs and does not indicate the name of the MTC. Each MTC agent transporting marijuana or MIPs shall have access to a secure form of communication with personnel at the origination location when the vehicle contains marijuana or MIPs.

*CCC Inspections (Medical)*

The CCC or its agents may inspect an MTC and affiliated vehicles at any time without prior notice. An MTC shall immediately upon request make available to the CCC information that may be relevant to a CCC inspection, and the CCC may direct an MTC to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the MTC, and the MTC shall thereafter submit a Plan of Correction to the CCC outlining with particularity each deficiency and the timetable and steps to remediate the same. The CCC shall have the authority to suspend or revoke a certificate of registration in accordance with the applicable regulations.

***Regulation of the Adult-Use Cannabis Market in Massachusetts***

Adult-use (recreational) marijuana has been legal in Massachusetts since December 15, 2016, following a ballot initiative in November of that year. The CCC licenses adult-use cultivation, processing and dispensary facilities (referred to herein collectively as “Marijuana Establishments”) pursuant to 935 CMR 500.000 et seq. The first adult-use marijuana facilities in Massachusetts began operating in November 2018. The CCC approved revised regulations for the adult-use program effective November 1, 2019.

*Massachusetts Licensing Requirements (Adult-Use)*

Many of the same application requirements exist for an adult-use Marijuana Establishment license application as to those for a medical MTC application, and each owner, officer or member must undergo background checks and fingerprinting with the CCC. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and its owners, officers, principals or members. The application must include, amongst other information, the proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing the Marijuana Establishment’s proposed operating policies including security, prevention of diversion, storage, transportation, inventory procedures, quality

control, dispensing procedures, personnel policies, record keeping, maintenance of financial records, diversity plans, and employee training protocols.

*Massachusetts Dispensary Requirements (Adult-Use)*

Marijuana retailers are subject to certain operational requirements in addition to those imposed on Marijuana Establishments generally. Dispensaries must immediately inspect patrons' identification to ensure that everyone who enters is at least 21 years of age. Dispensaries may not dispense more than one ounce of marijuana or five grams of marijuana concentrate per transaction. Point-of-sale systems must be approved by the CCC, and retailers must record sales data. Records must be retained and available for auditing by the CCC and Department of Revenue. Retailers are required to conduct monthly analyses of equipment and sales data to determine that such systems have not been altered or interfered with to manipulate sales data, and to report any such discrepancies to the CCC.

Dispensaries must also make consumer education materials available to patrons in languages designated by the CCC, with analogous materials for visually- and hearing-impaired persons. Such materials must include:

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;
- A discussion of tolerance, dependence, and withdrawal;
- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;
- A statement that consumers may not sell marijuana to any other individual;
- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and
- Any other information required by the CCC.

*Massachusetts Security and Storage Requirements (Adult-Use)*

Each Marijuana Establishment must implement sufficient safety measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the establishment. Security measures taken by the establishments to protect the premises, employees, consumers and general public shall include, but not be limited to, the following:

- Positively identifying and limiting access to individuals 21 years of age or older who are seeking access to the Marijuana Establishment or to whom marijuana products are being transported;

- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication are allowed to remain on the premises;

- Proper disposal of marijuana in accordance with applicable regulations;

- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;

- Establishing limited access areas which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;

- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft or loss;

- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage, including prior to disposal, of marijuana or marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;

- Keeping all locks and security equipment in good working order;

- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;

- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;

- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;

- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place, outside of the marijuana establishment, without the use of binoculars, optical aids or aircraft;

- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;

- Establishing procedures for safe cash handling and cash transportation to financial institutions to prevent theft, loss and associated risks to the safety of employees, customers and the general public;

- Sharing the Marijuana Establishment's floor plan or layout of the facility with law enforcement authorities, and in a manner and scope as required by the municipality and identifying when the use of flammable or combustible solvents, chemicals or other materials are in use at the Marijuana Establishment;

- Sharing the Marijuana Establishment's security plan and procedures with law enforcement authorities, including police and fire services departments, in the municipality where the Marijuana Establishment is located and periodically updating law enforcement authorities,

police and fire services departments, if the plans or procedures are modified in a material way; and

- Marijuana must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including the ability to record footage to be retained for at least 90 days.

*Massachusetts Transportation Requirements (Adult-Use)*

Marijuana products may only be transported between licensed Marijuana Establishments by registered Marijuana Establishment agents. A licensed marijuana transporter may contract with a Marijuana Establishment to transport that licensee's marijuana products to other licensed establishments. All transported marijuana products are linked to the seed-to-sale tracking program. Any marijuana product that is undeliverable or is refused by the destination Marijuana Establishment shall be transported back to the originating establishment. All vehicles transporting marijuana products shall be staffed with a minimum of two Marijuana Establishment agents. At least one agent shall remain with the vehicle at all times that the vehicle contains marijuana or marijuana products. Prior to the products leaving a Marijuana Establishment, the originating Marijuana Establishment must weigh, inventory, and account for, on video, all marijuana products to be transported. Within eight hours after arrival at the receiving Marijuana Establishment, the receiving establishment must re-weigh, re-inventory, and account for, on video, all marijuana products transported. Marijuana products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of marijuana products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A Marijuana Establishment or a marijuana transporter transporting marijuana products is required to ensure that all transportation times and routes are randomized and remain within Massachusetts.

Vehicles must additionally be equipped with a video system that includes one or more cameras in the storage area of the vehicle and one or more cameras in the driver area of the vehicle. The video cameras must remain operational at all times during the transportation process and have the ability to produce a clear color still photo whether live or recorded, with a date and time stamp embedded and that do not significantly obscure the picture.

Vehicles used for transport must be owned or leased by the Marijuana Establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts. Marijuana may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment. Each vehicle must have a global positioning system, and any agent transporting marijuana must have access to a secure form of communication with the originating location.

*Massachusetts Licenses (Adult-Use)*

Trulieve's wholly owned subsidiary, Life Essence, holds the following licenses:

| **Holding Entity** | **Permit/ License** | **City** | **Expiration/Renewal Date (if applicable) (MM/DD/YY)** | **Description** |
|---|---|---|---|---|
| Life Essence | Provisional License | Northampton, MA | 6/19/21 | Dispensary |
| Life Essence | Provisional License | Holyoke, MA | 6/19/21 | Cultivation |
| Life Essence | Provisional License | Holyoke, MA | 6/19/21 | Product Manufacturing |

*CCC Inspections*

The CCC or its agents may inspect a Marijuana Establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a Marijuana Establishment, all Marijuana Establishment agents and activities, and all records are subject to such inspection. During an inspection, the CCC may direct a marijuana establishment to test marijuana for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant-growth regulators, and the presence of pesticides not approved for use on marijuana by the Massachusetts Department of Agricultural Resources. Moreover, the CCC is authorized to conduct a secret shopper program to ensure compliance with all applicable laws and regulations.

***Proposed Regulatory Changes for Medical and Adult Use Marijuana in Massachusetts***

The CCC is currently in the process of undertaking a significant alteration of both the medical and adult-use cannabis regulations. The CCC released draft regulatory changes and held a public hearing regarding the draft changes on August 3, 2020, and initially accepted public comment through August 14, 2020. On August 28, 2020, the CCC held a public meeting to discuss public comments on the proposed regulatory amendments. On September 22, 2020, the CCC released additional draft regulatory changes relating specifically to delivery (as discussed below). On September 24, 2020, the CCC voted to approve the draft delivery regulations and accept additional public comment. At its September 24, 2020 meeting, the CCC scheduled an October 20, 2020 meeting to discuss public comment on the proposed delivery amendments, and tentatively scheduled an October 29, 2020 meeting to vote on all proposed regulatory changes. The CCC discussed the following significant regulatory proposals:

- permitting Marijuana Delivery Licensees to deliver directly from the premises of licensed marijuana retailer establishments and directly from the premises of marijuana cultivation and product manufacturer establishments. Currently, the regulations only permit Marijuana Delivery Licensees to deliver from the premises of a marijuana retailer. At present, Marijuana Delivery Licenses are reserved for 24 months certain classes of certified Economic Empowerment or Social Equity applicants, for which Trulieve does not quality. The CCC discussed extending this period of exclusivity for Marijuana Delivery Licenses for longer;

- permitting Personal Caregivers to be registered to care for more than one – and potentially up to ten – Registered Qualifying Patients at one time;

- permitting non-Massachusetts residents receiving end-of-life or palliative care or cancer treatment in Massachusetts to become Registered Qualifying Patients; and

- the possibility of “disintegrating” the existing requirement that Medical Marijuana Treatment Centers must be vertically integrated and permitting Medical Marijuana Treatment Centers to apply for separate license endorsements to cultivate, manufacture, and engage in retail activities.

***Regulation of the Marijuana Market in California***

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996. This provided an affirmative defense for defendants charged with the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law, decriminalizing the use, possession, and collective cultivation of medical marijuana, and establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the “Medical Marijuana Regulation and Safety Act,” or MCRSA. The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created testing laboratories, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the “Adult Use of Marijuana Act,” or AUMA, creating an adult-use marijuana program for adult-use 21 years of age or older. In June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Marijuana Regulation and Safety Act, or MAUCRSA, which amalgamated MCRSA and AUMA to provide a set of regulations to govern the medical and adult-use licensing regime for marijuana businesses in the State of California. MAUCRSA went into effect on January 1, 2018. The three primary licensing agencies that regulate marijuana at the state level are the Bureau of Cannabis Control, or BCC, California Department of Food and Agriculture, or CDFA, and the California Department of Public Health, or CDPH.

One of the central features of MAUCRSA is known as “local control.” In order to legally operate a medical or adult-use marijuana business in California, an operator must have both a local and state license. This requires license-holders to operate in cities or counties with marijuana licensing programs. Cities and counties in California are allowed to determine the number of licenses they will issue to marijuana operators, or, alternatively, can choose to ban marijuana licenses.

*California License Categories/ Types (the “California License”)*

| Holding Entity | Permit/ License | City | Expiration/Renewal Date (if applicable) (MM/DD/YY) | Description |
|---|---|---|---|---|
| Leef Industries, LLC | Adult-Use Retailer | Palm Springs, CA | 11/08/21 | Dispensary |

Once an operator obtains local approval, the operator must obtain state licenses before conducting any commercial marijuana activity. There are multiple license categories that cover all commercial activity. Categories include: (1) cultivation/nurseries, (2) testing laboratories, (3) distributors/transporters, (4) retailers, (5) microbusinesses, (6) event organizers, and (7) manufacturers. Categories of licenses are further broken down into subtypes. For example, there are multiple types of cultivation licenses available depending upon the size of the cultivation operation and whether the operation is indoors/outdoors or uses mixed lighting. Different manufacturing licenses are available depending upon whether volatile or nonvolatile solvents are used. Retail licenses are available depending upon whether the retailer operates from a store-front or a non-store front.

*California Agencies Regulating the Commercial Cannabis Industry*

The CDFA oversees nurseries and cultivators; the CDPH oversees manufacturers, and the BCC oversees distributors, retailers, delivery services, and testing laboratories. Operators must apply to one or more of these agencies for their licenses, and each agency has released regulations specific to the operation of the types of businesses they oversee. The BCC has a number of regulations that apply to all licensees, but the CDFA and CDPH regulations only apply to the licensees in their charge.

*The Marijuana Supply Chain in California*

In California, depending on a local government’s own marijuana ordinances, plants may be cultivated outdoors, using mixed-light methods, or fully indoors. Cultivators must initially acquire seeds, clones, teens, or other immature plants from nurseries.

The cultivation, processing, and movement of marijuana within the state is tracked by the METRC system, into which all licensees are required to input their track and trace data (either manually or using another software that automatically uploads to METRC). Immature plants are assigned a Unique Identifier number, or UID, and this number follows the flowers and biomass resulting from that plant through the supply chain, all the way to the consumer. Each licensee in the supply chain is required to meticulously log any processing, packaging, and sales associated with that UID.

When marijuana plants mature and complete their life cycle, they are harvested cured, and trimmed, in preparation of being sold to distributors or manufacturers. Cultivators have two main products: flowers, or “buds,” and the biomass, or “trim,” which is typically removed from the mature flowers. Trim is commonly sold to Manufacturers for further processing into cannabis extracts. Buds may also be sold to Manufacturers, or to Distributors for sale to Retailers. The Cultivator may package and label its marijuana flowers or may sell flower in bulk and the Distributor may package and label the flower.

Manufactured marijuana goods may be sold from a manufacturer to a Distributor but must be provided to Distributors in their final packaging. Distributors may not package manufactured marijuana goods. Certain tax rates apply to the marijuana flower and biomass, which are assessed per ounce of product sold. The California State excise tax is paid by the Cultivator to the Distributor, or alternatively the Manufacturer, and it is the Distributor that has the responsibility of tendering the excise taxes to the State of California.

Marijuana in California may only be transported by licensed distributors. Some cultivators and manufacturers have their own distribution licenses, and others contract with third party distributors. Distributors may or may not take possession of the marijuana and marijuana products. This has evolved in such a way that, similar to the alcohol distribution model, retailers are choosing from a portfolio of products carried by the Distributors they work with. Brands are doing some direct marketing to Retailers, but many Brands target their marketing to Distributors.

Distributors are the point in the supply chain where final quality assurance testing is performed on products before they go to a retailer. Retailers may not accept product without an accompanying certificate of analysis, or COA. Distributors must hold product to be tested on their premises in “quarantine” and arrange for an employee of a licensed testing laboratory to come to their premises and obtain samples from any and all goods proposed to be shipped to a retailer. Marijuana and marijuana products are issued either a “pass” or “fail” by the testing laboratory. Under some circumstances, the BCC’s regulations allow for failing product to be “remediated” or to be re-labeled to more accurately reflect the COA.

*Retail Compliance in California*

California requires that certain warnings, images, and content information be printed on all marijuana packaging. BCC regulations also include certain requirements about tamper-evident and child-resistant packaging. Distributors and retailers are responsible for confirming that products are properly labeled and packaged before they are sold to a customer.

Consumers aged 21 and up may purchase marijuana in California from a dispensary with an “adult-use” license. Some localities still only allow medicinal dispensaries. Consumers aged 18 and up with a valid physician’s recommendation may purchase marijuana from a medicinal-only dispensary or an adult-use dispensary. Consumers without valid physician’s recommendations may not purchase marijuana from a medicinal-only dispensary. All marijuana businesses are prohibited from hiring employees under the age of 21.

*Security Requirements*

Each local government in California has its own security requirements for cannabis businesses, which usually include comprehensive video surveillance, intrusion detection and alarms, and limited access

areas in the dispensary. The State also has similar security requirements, including that there be limited-access areas where only employees and other authorized individuals may enter. All Licensee employees must wear employee badges. The limited access areas must be locked with “commercial-grade, nonresidential door locks on all points of entry and exit to the licensed premises.”

Each licensed premises must have a digital video surveillance system that can “effectively and clearly” record images of the area under surveillance. Cameras must be in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises. The regulations list specific areas which must be under surveillance, including places where cannabis goods are weighed, packed, stored, loaded, and unloaded, security rooms, and entrances and exits to the premises. Retailers must record point of sale areas on the video surveillance system.

Licensed retailers must hire security personnel to provide on-site security services for the licensed retail premises during hours of operation. All security personnel must be licensed by the Bureau of Security and Investigative Services.

California also has extensive record-keeping and track and trace requirements for all licensees.

*Inspections*

All licensees are subject to annual and random inspections of their premises. Cultivators may be inspected by the California Department of Fish and Wildlife, the California Regional Water Quality Control Boards, and the California Department of Food and Agriculture. Manufacturers are subject to inspection by the California Department of Public Health, and Retailers, Distributors, Testing Laboratories, and Delivery services are subject to inspection by the Bureau of Cannabis Control. Inspections can result in notices to correct, or notices of violation, fines, or other disciplinary action by the inspecting agency.

*Retail taxes in California*

Retailers generally must pay the excise tax to final distributors when they make wholesale purchases. These distributors then remit the retail excise taxes to the California Department of Tax Fee Administration, or CDTFA, which administers State cannabis taxes. Retailers must make these payments before they sell the products to consumers, so the tax is based directly on the wholesale price (the price that retailers pay to distributors) rather than the retail price (the price that consumers pay to retailers). The CDTFA sets the tax based on its estimate of the average ratio of the average ratio of retail prices to wholesale prices— commonly known as a ‘markup’. CDTFA’s current markup estimate (as of January 1, 2020) is 80%. Due to the 15% statutory tax rate and the 80% markup estimate, the current effective tax rate on wholesale gross receipts is 27%.

In addition, the State taxes, cities and counties throughout California apply their own approaches to taxing cannabis. These approaches fall into three broad categories. First, many local governments impose the same tax rate on all cannabis businesses regardless of type. Second, many local governments impose higher tax rates on retailers than other types of cannabis businesses. Third, a few local governments license cannabis businesses but do not levy taxes specifically on cannabis. The California Legislative Analyst’s Office estimates that the average cumulative local tax rate over the whole supply chain is roughly equivalent to a 14% tax on retail sales.

After receiving approval from the BCC in August 2020, we own 100% of the issued and outstanding membership interests of Leef Industries. We have and will only engage in transactions with other licensed California marijuana businesses and have a compliance officer to oversee dispensary operations in California. We are developing standard operating procedures for this and future California holdings to ensure consistency and compliance across our California holdings. We and, to the best of our knowledge, Leef Industries, are in compliance with California’s marijuana regulatory program.

***Regulation of the Medical Cannabis Market in Connecticut***

The State of Connecticut has authorized cultivation, possession, and distribution of marijuana for medical purposes by certain licensed Connecticut marijuana businesses. The Medical Marijuana Program, or MMP, registers qualifying patients, primary caregivers, Dispensary Facilities, or DFs, and Dispensary Facility Employees, or DFEs. The MMP was established by Connecticut General Statutes §§ 21a-408–21a429. DFs and production facilities are separately licensed.

The MMP is administered by the Department of Consumer Protection, or DCP. Patients with qualifying debilitating medical conditions qualify to participate in the program, including patients with such conditions include but are not limited to cancer, glaucoma, positive status for human immunodeficiency virus (HIV) or acquired immune deficiency syndrome (AIDS), Parkinson's disease, or multiple sclerosis (MS). A physician or advanced practice registered nurse must issue a written certification for an MMP patient, and the qualifying patient or caregiver must choose one designated DF where the patient's marijuana will be obtained.

*Connecticut Licensing Requirements*

In Connecticut, marijuana may not be produced or dispensed without the appropriate license. The DCP determines how many facility licenses to issue based on the size and location of the DFs in operation, the number of qualifying patients registered with the DCP, and the convenience and economic benefits to qualifying patients.

When the DCP determines that additional licenses for DFs should be granted, it publishes a notice of open applications for DF licenses. This notice must include the maximum number of licenses to be granted, the deadline for receipt of applications, and the criteria that will be considered when awarding the licenses. Such criteria must include character and fitness of any person who may have control or influence over the operation of the proposed DF; the location for the proposed DF; the applicant's ability to maintain adequate controls against the diversion, theft, or loss of marijuana; the applicant's ability to maintain the knowledge, understanding, judgment, procedures, security controls and ethics to ensure optimal safety and accuracy in the dispensing and sale of marijuana; and the extent to which the applicant or any of the applicant's DF backers have a financial interest in another licensee, registrant, or applicant.

Applicants for DF licenses must identify, among other things, the proposed DF location, financial statements, criminal background check applications for the applicant and applicant's backers, a plan to prevent theft and diversion, and a blueprint of the proposed DF. An application for a DF license also requires the payment of a $5,000 fee. If approved, the licensee must pay an additional $5,000 before receiving its license. The decision of the DCP's Commissioner, or Commissioner, not to award a DF license to an applicant is final.

*Connecticut Licenses (the "Connecticut License")*

| Holding Entity | Permit/ License | City | Expiration/Renewal Date (if applicable) (MM/DD/YY) | Description |
|---|---|---|---|---|
| Trulieve Bristol Inc. | Medical Marijuana Dispensary Facility License | Bristol | 04/15/21 | Dispensary |

*Connecticut Dispensary Facility Requirements*

A DF may not dispense marijuana from, obtain marijuana from, or transfer marijuana to, a location outside of the state of Connecticut. DFs are limited to the following modes of obtaining, delivering, transferring, transporting, and selling marijuana:

- A DF may acquire marijuana from a producer;
- A DF may dispense and sell marijuana to a qualifying patient or primary caregiver registered to their facility and who is registered with the DCP;
- A DF may dispense or sell to a research program subject pursuant to the protocols of a research program approved by the Commissioner;
- A DF may transfer, distribute, deliver, transport, or sell to a research program employee pursuant to the protocols of a research program approved by the Commissioner;
- A DF may transfer, distribute, deliver or transport to a hospice or other inpatient care facility licensed by the Department of Public Health that has a protocol for handling and distributing marijuana that has been approved by the DCP; and
- A DF may transfer, distribute, deliver or transport marijuana to an approved laboratory.

Only a pharmacist licensed as a dispensary may dispense marijuana, and only a dispensary or dispensary technician may sell marijuana to qualifying patients, primary caregivers, or research program subjects who are registered with the DCP. A DF may not engage in marijuana compounding, except that a dispensary may dilute a medical marijuana product with a USP grade substance with no active ingredient for the purposes of dose titration, tapering, for the addition of a flavoring agent, or to create a maintenance dose that is not available from any producer at the time of purchase. No person associated with a DF may enter into any agreement with a certifying health care provider or health care facility concerning the provision of services or equipment that may adversely affect any person's freedom to choose the DF at which the qualifying patient or primary caregiver will purchase marijuana, except in the case of an approved research program.

All DFEs must, at all times while at the DF, have their current dispensary license, dispensary technician registration or DFE registration available for inspection by the Commissioner or the DCP. The DF shall establish, implement and adhere to a written alcohol-free, drug-free and smoke-free workplace policy, which must be available to the DCP upon request. Marijuana may not be applied, ingested, or consumed inside a DF.

Each DF must make publicly available the price of all its marijuana products to prospective qualifying patients and primary caregivers. All marijuana must be sold in child-resistant, sealed containers except upon a written request from the qualifying patient or primary caregiver. No marijuana may be sold without the producer label. All products sold to the qualifying patient or primary caregiver must be placed in an opaque package that shall not indicate the contents of the package, the originating facility or in any other way cause another person to believe that the package may contain marijuana. Each DF must also provide information to qualifying patients and primary caregivers regarding the possession and use of marijuana. The DF manager must submit all informational material to the Commissioner for approval prior to such information being provided to qualifying patients and primary caregivers.

*Connecticut Security and Storage Requirements*

All facilities must have an adequate security system to prevent and detect loss of marijuana. These systems must use commercial grade equipment, including perimeter alarms, motion detectors, video

cameras with 24-hour recordings (which must be retained for at least 30 days), silent alarms, panic alarms, a failure notification system, and the ability to remain operational during a power outage. Each facility must also have a back-up alarm system approved by the Commissioner. The outside perimeter of every facility must be well-lit. All equipment must be kept in good working order and tested at least twice per year.

A DF must:

- Not maintain marijuana in excess of the quantity required for normal, efficient operation;
- Store all marijuana in an approved safe or approved vault and in such a manner as to prevent diversion, theft or loss;
- Maintain all marijuana in a secure area or location accessible only to specifically authorized employees, which shall include only the minimum number of employees essential for efficient operation;
- Keep all approved safes and approved vaults securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keep all locks and security equipment in good working order;
- Keep the dispensary department securely locked and protected from entry by unauthorized employees; and
- Post a sign at all entry ways into any area of the DF containing marijuana stating, “Do Not Enter - Limited Access Area - Access Limited to Authorized Employees Only.” All deliveries must be carried out under the direct supervision of a pharmacist licensed as a dispensary, who must be present to accept the delivery. Upon delivery, the marijuana must immediately be placed in an approved safe or approved vault within the dispensary.

No person may enter the area where marijuana is dispensed and sold unless such person is licensed or registered by the DCP; such person’s responsibilities necessitate access to the dispensary department and then for only as long as necessary to perform the person’s job duties; or such person has a patient or caregiver registration certificate, in which case such person must not be permitted behind the service counter or in other areas where marijuana is stored.

*Connecticut Transportation Requirements*

Prior to transporting any marijuana or marijuana product, a DF must complete a shipping manifest using a form prescribed by the Commissioner and securely transmit a copy of the manifest to the laboratory, research program location, hospice, or other inpatient care facility that will receive the products and to the DCP at least 24 hours prior to transport. These manifests must be maintained and made available to the DCP. Marijuana may only be transported in a locked, secure storage compartment that is part of the vehicle transporting the marijuana. This compartment may not be visible from outside the vehicle. Routes must be randomized.

All transport vehicles must be staffed with a minimum of two employees. At least one delivery team member is required to remain with the vehicle at all times that the vehicle contains marijuana. A delivery team member must have access to a secure form of communication with employees at the originating facility at all times that the vehicle contains marijuana. A delivery team member must physically possess a department-issued identification card at all times when transporting or delivering marijuana and must produce it to the Commissioner or law enforcement official upon request.

No marijuana may be sold, dispensed or distributed via a delivery service or any other manner outside of a DF, except that a primary caregiver may deliver marijuana to the caregiver's qualified patient and a DFE may deliver to a hospice or other inpatient care facility licensed by the Department of Public Health that has a protocol for handling and distributing marijuana that has been approved by the DCP.

*Inspections by the Commissioner*

All documents required to be kept by a facility must be maintained in an auditable format for no less than three years. These records must be provided to the Commissioner or an authorized delegate immediately upon request. Additionally, the Commissioner and authorized delegates may enter any place, including a vehicle, where marijuana is held, produced, or otherwise handled, and inspect in a reasonable manner such place and all pertinent items and documents within it.

***Regulation of the Medical Cannabis Market in Pennsylvania***

The Pennsylvania medical marijuana program was signed into law on April 17, 2016 under Act 16, or Act 16, and provided access to state residents with one or more qualifying conditions. Pennsylvania has promulgated regulations to implement Act 16, which are primarily found in Chapters 1131 through 1210 of the Pennsylvania Code.

Under Act 16, medical marijuana refers to marijuana obtained for certified medical use by a Pennsylvania resident with at least 1 of 23 qualifying medical conditions. Act 16 initially authorized 17 qualifying conditions, however, through regulatory approval, that list has expanded and now includes anxiety disorders, ALS, Autism, Cancer, Crohn's Disease, damage to the nervous tissue of the spinal cord with neurological indication of intractable spasticity, Dyskinetic & spastic movement disorders, Epilepsy, Glaucoma, HIV & AIDS, Huntington's Disease, IBD, Intractable Seizures, Multiple Sclerosis, Neurodegenerative diseases, Neuropathy, opioid disorder, Parkinson's disease, PTSD, severe chronic pain of neuropathic origin or which conventional therapy is ineffective, Sickle Cell Anemia, a terminal illness, and Tourette Syndrome.

Under Act 16 and the implementing regulations, patients who are residents of the Commonwealth and have a qualifying medical condition as certified by a physician are able to obtain medical marijuana at approved dispensaries with the Commonwealth. A registered caregiver of an approved patient may also obtain medical marijuana from an approved dispensary. Pennsylvania does not permit home delivery of medical marijuana at this time.

*Pennsylvania Licenses and Regulations*

Act 16 authorized 2 principal categories of permits: (1) a grower/ processor permit, and (2) a dispensary permit. The Pennsylvania Department of Health was authorized to issue up to 25 grower/processor permits and up to 50 dispensary permits. A dispensary permit holder may have up to 3 dispensary locations within the primary region which it is located. The Commonwealth is divided into 6 regions with permits being awarded based on patient population. The Commonwealth originally awarded only 12 grower/processor permits and 27 dispensary permits. Subsequently, the Commonwealth granted additional grower/processor and dispensary permits as part of its phase II application process. Pennsylvania also allows for a clinical registrant permit which allows clinical registrant permit holders to operate both a grower/ processor operation and multiple dispensary locations. Additionally, clinical registrants must partner with an approved medical research institution within the Commonwealth to conduct marijuana-based clinical research programs. All permit holders (whether grower/processor or dispensary) are required to use the state-approved seed-to-sale tracking software for all inventory management, tracking and dispensations. Pennsylvania currently utilizes the MJFreeway platform.

All cultivation/processing establishments and dispensaries must register with Pennsylvania Department of Health. Registration certificates are valid for a period of one year and are subject to strict annual renewal requirements. A grower/processor permit allows a permit holder to acquire wholesale from

another grower/processor, possess, cultivate, and manufacture/process into medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. A grower/processor may transport products itself or may contract with an approved transporter. A grower/processor is not limited to the region it is located in and may distribute medical marijuana products to any approved dispensary within the Commonwealth.

Approved dispensaries may only purchase approved medical marijuana products from a permitted grower/processor and may only dispense to certified patients or caregivers who present valid identification cards. Prior to dispensing medical marijuana products to a patient or caregiver, the dispensary shall: (1) verify the validity of the patient or caregiver identification card using the electronic tracking system; and (2) review the information on the patient's most recent certification by using the electronic tracking system to access the Pennsylvania Department of Health's database. The following requirements apply: (i) if a practitioner sets forth recommendations, requirements or limitations as to the form and/or dosage of a medical marijuana product on the patient certification, the medical marijuana product dispensed to a patient or caregiver by a dispensary must conform to those recommendations, requirements or limitations; (ii) if a practitioner does not set forth recommendations, requirements or limitations as to the form or dosage of a medical marijuana product on the patient certification, the physician, pharmacist, physician assistant or certified registered nurse practitioner employed by the dispensary and working at the facility shall consult with the patient or the caregiver regarding the appropriate form and dosage of the medical marijuana product to be dispensed; and (iii) the dispensary shall update the patient certification in the electronic tracking system by entering any recommendation as to the form or dosage of medical marijuana product that is dispensed to the patient.

*Pennsylvania Department of Health Inspections*

The Pennsylvania Department of Health may conduct announced or unannounced inspections or investigations to determine the medical marijuana organization's compliance with its permit. An investigation or inspection may include an inspection of a medical marijuana organization's site, facility, vehicles, books, records, papers, documents, data, and other physical or electronic information.

*Other*

The foregoing description of laws and regulations to which we are or may be subject is not exhaustive, and the regulatory framework governing our operations is subject to continuous change. The enactment of new laws and regulations or the interpretation of existing laws and regulations in an unfavorable way may affect the operation of our business, directly or indirectly, which could result in substantial regulatory compliance costs, civil or criminal penalties, including fines, adverse publicity, loss of participating dealers, lost revenue, increased expenses, and decreased profitability. Further, investigations by government agencies, including the FTC, into allegedly anticompetitive, unfair, deceptive or other business practices by us, could cause us to incur additional expenses and, if adversely concluded, could result in substantial civil or criminal penalties and significant legal liability.

**Balance Sheet Exposure**

At September 30, 2020, 100% of the Company's balance sheet is exposed to U.S. cannabis-related activities.

**SUMMARY OF OPERATING BUSINESS**

Trulieve is a successful cannabis company operating in highly regulated markets that require expertise in cultivation, manufacturing, retail and logistics. Trulieve has developed proficiencies in each of these functions and is committed to utilizing predictive analytics to stay abreast of sales trends, patient demographics and evolving demand. This is the foundation upon which Trulieve has built sustainable, profitable growth.

In states that require cannabis companies to be vertically integrated, ownership of the entire supply chain mitigates third party risks and allows Trulieve to completely control product quality and brand experience. This results in high patient retention and brand loyalty. Trulieve successfully operates the core business functions of cultivation, production and distribution at scale, and is skilled at rapidly increasing capacity without any interruption to existing operations. The Trulieve brand philosophy of “Patients First” permeates the Trulieve culture beginning with high-quality cultivation and GMP-certified product manufacturing, through the consumer experience at Trulieve stores, at the Corporation’s in-house call center and at patient residences through a robust home delivery program.

Data Utilization for Predictive Analytics

Trulieve collects and analyzes data throughout the entire seed to sale process of the enterprise. All strategic and tactical business decisions are driven by analyses of historical data coupled with predictive analytics to ensure the best possible solution is formulated and executed. Data collection systems are based on a state-of-the-art SAP platform, which is cloud based and routinely backed up to ensure the security and integrity of data repositories.

In the Corporation’s cultivation activities, Trulieve uses data analytics to predict future yields and plan future crop rotations to meet projected patient demand. The predictive analysis ensures Trulieve operates in an efficient manner to maximize the harvest output to cost ratio, while continuously delivering today’s most in-demand genetics.

Trulieve also uses data analytics throughout the entire manufacturing process to monitor outputs in real-time, ensure quality processes are adhered to, and analyze key metrics to optimize lean flow efficiency. Consistency is paramount to Trulieve and tracking of the recorded data guarantees uniformity and end-to-end traceability for all products distributed.

Once the Corporation’s products are in Trulieve stores, each sales transaction is recorded. The reports derived from the recorded information allows Trulieve to track and analyze – by retail location – sales trends, quantities dispensed, and products sold by subcategory. Trulieve uses this data for regression and predictive analysis, cultivation crop and derivative product manufacturing planning, and patient marketing. The data is also key in planning future cultivation and manufacturing expansion. On the retail side, delivery request volume is used to guide new retail store placement and predictive analyses inform retail inventory planning.

High-Yield Cultivation Facilities and Techniques

Trulieve transforms raw cannabis flower into the Trulieve portfolio of products sold in Trulieve stores. With a focus on scalable operations, Trulieve has detailed Standard Operating Procedures as well as robust training protocols that are employed across all cultivation sites to achieve a high level of consistency and medicinal quality.

As of September 30, 2020, the Corporation operates approximately 1,780,408 square feet of cultivation facilities across five sites in Florida. In accordance with Florida law, Trulieve grows in secure enclosed indoor facilities and greenhouse structures. In Massachusetts, Trulieve anticipates completion of the first phase of its medical marijuana cultivation and processing facility in early 2021.

The ability to quickly construct and operate high-yield cultivation facilities at commercial scale is critical in Florida as well as other vertical markets. As of September 30, 2020, Trulieve grows 120 cannabis flower strains with varying price points and is currently responsible for over 50% of all flower sold in Florida.

Scaled, Quality Production

As a vertically integrated company in Florida, Trulieve US produces 100% of all products sold in Trulieve’s Florida stores. Trulieve has successfully obtained GMP certification for its Florida manufacturing facilities

and has detailed Standard Operating Procedures and comprehensive quality systems in place to ensure safe and effective products are delivered to Trulieve's patients.

Trulieve primarily utilizes super critical ethanol extraction to obtain the cannabis oil used in the majority of its branded products. Trulieve also utilizes carbon dioxide extraction for terpene extraction as well as a line of CO2 vaporizer cartridges. The Corporation has a 55,000 square foot building that houses extraction, infusion, packaging, and shipping activities. In anticipation of legal changes that will allow edible cannabis products to be sold in Florida, the building was outfitted with a state-of-the-art, GMP-certified kitchen.

As of September 30, 2020, Trulieve manufactures, packages and distributes products in a variety of market segments with over 500 SKUs.

Marketing and Community Outreach

Trulieve's marketing strategies center around education and outreach for three key groups: physicians, patients and potential patients.

Trulieve provides industry leading education, outreach and support to all registered Florida medical cannabis physicians. The Corporation's educational materials are designed to help physicians understand cannabinoid science, the high standards to which Trulieve plants are cultivated and how the Corporation's products provide relief for patients. Trulieve's dedicated physician education team delivers in-person outreach to hundreds of physicians each month as well as immediate phone support through a dedicated physician education team member in the Trulieve call center.

Patients primarily learn about Trulieve through their physicians, patient-centric community events, and digital marketing. Trulieve participates in dozens of patient outreach and community events on a monthly basis. An engaged patient audience is captured through the Corporation's digital content marketing. Trulieve engages with its consumer base via multiple popular social media platforms.

Trulieve also attends many events focused on educating non-patients who may benefit such as veterans, seniors, organizations that serve qualifying patient populations, and various health and wellness groups. Search engine optimization of the Corporation's website also captures potential patients researching the benefits of medical marijuana, which offers another pathway to informative materials about therapeutic uses of cannabis, Trulieve products and how to legally access them.

Patient Focused Experiences

It is Trulieve's goal to create enthusiastic fans who are loyal to the Trulieve brand, and in return to provide these patients industry-leading products and superior customer service. Trulieve accomplishes this goal through several key strategies:

*Training*

Patient experience is an area of high focus for the Corporation. Trulieve employs and continuously improves numerous training programs and methods in an effort to ensure the Corporation's front-line workers have the resources and information they need to provide patients with an excellent experience across all Trulieve branded locations. In addition, the Corporation is utilizing an advanced learning management system in cultivation and processing to standardize and track training. A multi-level training structure that employs three different training methodologies is used to ensure employees are performing tasks to internal standards. This training approach is dynamic and subject to regular evaluation under the continuous improvement program. Trulieve offers specialized management training so there is daily reinforcement of patient experience best practices.

*Branded Store Experiences*

Trulieve maintains a consistent look and feel across dispensary locations to streamline the dispensary experience for the benefit of patients. Brand guidelines are the cornerstone, ensuring each store utilizes the same design, color scheme and layout to provide a comfortable, welcoming environment across locations. Similarly, the brand standards are adhered to in Trulieve digital marketing, lending to Trulieve's brand recognition in Florida and beyond.

*Brand Strategy*

The foundation of Trulieve's brand strategy is making top quality Trulieve branded products that are effective. In Florida, the Trulieve brand is already synonymous with quality and consistency; using the Corporation's proven model to build similar brand associations in new markets is the next step.

In addition, the Corporation is partnering with strategic brands that are or will be featured in Trulieve locations. To date, Trulieve has announced partnerships with Bhang, Binske, Loves Oven, SLANG and Blue River. Each strategic partner is a consumer favorite with a strong following, unique value proposition and market penetration strategy.

The third tier of the Trulieve brand strategy consists of local partnerships. Trulieve's first local partnership was Sunshine Cannabis, a Florida based company whose focus has been on bringing back unique Florida-based cannabis strains such as "Sunshine Kush" and "Gainesville Green". As a testament to their grass roots marketing efforts, each of the two vape pen SKUs featuring these cannabis strains sold out within 48 hours of launch.

*Multiple Channels of Distribution*

To meet patient needs, Trulieve provides patients with several different purchase options. Trulieve has numerous storefront dispensaries where patients can consult with experts on staff and make purchases. The Corporation also offers in-store pick up as well as statewide delivery service in Florida. Patients can order products for in-store pick up or delivery online or by calling the Trulieve call center.

*Loyalty Program and Communication Platforms*

The Truliever program is a patient-based loyalty program in which patients earn points for dollars spent and receive discounts when their points exceed specified thresholds. Trulievers are also first to know about special discounts or limited product releases and are invited to exclusive Truliever promotions and events. Trulieve is a technology friendly company that understands each consumer has unique communication preferences and capabilities. As such, the Corporation engages with patients and physicians through a variety of methods including email, text, social media and online chat.

*Research and Development*

Trulieve has a dedicated research and development team focused on product development and technological innovation. The R&D team evaluates new technologies and performs rigorous testing prior to recommending introduction into production. The team is constantly monitoring developments in the fast-paced cannabis industry and drawing inspiration from adjacent industries to ensure the Corporation remains competitive.

Diversity, Inclusion & Equity

Trulieve is committed to contributing positively to the legal cannabis industry. As a business that produces and distributes a product that many people – especially people of color – were arrested and incarcerated for in the past, Trulieve recognizes the supreme importance of ensuring the cannabis industry is diverse, inclusive, and equitable. As such, the Corporation has launched a Diversity & Inclusion Committee. The Committee is comprised of executives, senior management, and a diversity consultant that will implement

and record the efficacy of efforts to recruit and develop diverse talent, implement company-wide diversity and cultural competency training, increase supplier diversity, engage in social justice initiatives, and more.

## NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

In addition to providing financial measurements based on IFRS, the Corporation provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Corporation's financial performance. These non-IFRS financial measures are adjusted EBITDA and working capital.

Management believes that these non-IFRS financial measures reflect the Corporation's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies.

As there are no standardized methods of calculating these non-IFRS measures, the Corporation's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

## ADJUSTED EBITDA

Adjusted EBITDA is a financial measure that is not defined under IFRS. Trulieve uses this non-IFRS financial measure and believes it enhances an investor's understanding of the Corporation's 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 the Corporation's ongoing operations and performance. The adjusted EBITDA excludes from net income as reported interest, share-based compensation, tax, depreciation, non-cash expenses, RTO expense, other income, grow cost expensed for biological assets and unsold inventory, and the non-cash fair value effects of accounting for biological assets and inventories. Trulieve reports adjusted EBITDA to help investors assess the operating performance of the Corporation's business. The financial measures noted above are metrics that have been adjusted from the IFRS 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 IFRS net income measure.

Other companies in the Corporation's industry may calculate these measures differently than Trulieve does, limiting their usefulness as comparative measures.

## WORKING CAPITAL

The calculation of working capital provides additional information and is not defined under IFRS. The Corporation defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Corporation's liquidity.

Other companies in the Corporation's industry may calculate this measure differently than the Corporation does, limiting its usefulness as a comparative measure.

## RECONCILIATIONS OF NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The table below reconciles net income to adjusted EBITDA for the periods indicated.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Net Income (IFRS)** | $ 4,742,377 | $ 60,271,271 | $ 25,301,432 | $ 132,502,330 |
| Add (Deduct) Impact of: | | | | |
| Net Effect of Change in Fair Value | 16,787,173 | (66,119,864) | 38,003,228 | (142,573,522) |
| Grow Cost Expensed for Biological Assets & Unsold Inventory | (675,127) | 9,138,183 | 4,855,327 | 16,287,469 |
| Interest Expense, Net | 6,421,266 | 3,887,542 | 20,106,676 | 7,023,567 |
| Share-Based Compensation | 523,213 | - | 2,207,742 | - |
| Depreciation and Amortization | 4,014,927 | 2,665,269 | 11,037,367 | 5,965,996 |
| Depreciation included in Cost of Goods Sold | 3,424,224 | 1,749,109 | 9,306,710 | 4,412,451 |
| Provision For Income Taxes | 21,569,329 | 30,487,678 | 55,886,167 | 69,039,142 |
| Other Income (Expense), Net | $ 10,692,142 | $ (5,140,985) | $ 10,756,823 | $ (5,146,222) |
| Total Adjustments | $ 62,757,147 | $ (23,333,068) | $ 152,160,040 | $ (44,991,119) |
| **Adjusted EBITDA (Non-IFRS)** | **$ 67,499,524** | **$ 36,938,203** | **$ 177,461,472** | **$ 87,511,211** |

## SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited condensed consolidated interim financial statements of the Corporation for the three and nine months ended September 30, 2020 and 2019.

The selected consolidated financial information set out below may not be indicative of the Corporation's future performance:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues, Net of Discounts | $ 136,274,321 | $ 70,730,359 | $ 353,095,707 | $ 173,126,436 |
| Production Expenses and Cost of Goods from Third Party Suppliers | 34,099,341 | 26,715,460 | 92,705,434 | 61,664,906 |
| Revenues less Production Expenses and Cost of Goods From Third Party Suppliers | 102,174,980 | 44,014,899 | 260,390,273 | 111,461,530 |
| Net Effect of Change in Fair Value of Biological Assets | (16,787,173) | 66,119,864 | (38,003,228) | 142,573,522 |
| Revenues less Production Expenses and Cost of Goods From Third Party Suppliers and Fair Value Adjustments | 85,387,807 | 110,134,763 | 222,387,045 | 254,035,052 |
| Total Expenses | 41,962,693 | 20,629,257 | 110,335,947 | 50,616,235 |
| Operating Income | 43,425,114 | 89,505,506 | 112,051,098 | 203,418,817 |
| Total Other Expenses/(Income) | 17,113,408 | (1,253,443) | 30,863,499 | 1,877,345 |
| Provision For Income Taxes | 21,569,329 | 30,487,678 | 55,886,167 | 69,039,142 |
| Net Income | $ 4,742,377 | $ 60,271,271 | $ 25,301,432 | $ 132,502,330 |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Cash | $ 193,377,890 | $ 31,018,389 |
| Total Current Assets | 446,685,304 | 242,334,191 |
| Total Assets | 786,178,446 | 442,153,119 |
| Total Current Liabilities | 95,121,260 | 49,053,339 |
| Total Long-Term Liabilities | 286,503,998 | 156,273,051 |
| Total Shareholders' Equity | $ 404,553,188 | $ 236,826,729 |

**Three and Nine Months Ended September 30, 2020 Compared to Three and Nine Months Ended September 30, 2019**

*Revenue*

| | Three Months Ended September 30, | | Change Increase/(Decrease) | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Revenues, Net of Discounts | $ 136,274,321 | $ 70,730,359 | $ 65,543,962 | 93% | $ 353,095,707 | $ 173,126,436 | $ 179,969,271 | 104% |

Revenue for the three months ended September 30, 2020 was $136.3 million, an increase of $65.5 million from $70.7 million for the three months ended September 30, 2019. The increase in revenue is the result of organic growth in retail sales due to increases in the number of products available for sale and the overall patient count, as well as the addition of nine new dispensaries during the quarter ended September 30, 2020. The state registry which approves and maintains the status of medical cannabis license holders reached approximately 424,000 active patients during the third quarter of 2020. Trulieve's increased statewide retail and home delivery presence along with its broad product mix of over 500 SKUs were the main reasons for the continued market growth.

Revenue for the nine months ended September 30, 2020 was $353.1 million, up $180.0 million from $173.1 million for the nine months ended September 30, 2019 The increase in revenue is the result of organic growth in retail sales due to increases in the number of products available for sale and the overall patient count, as well as the addition of seventeen new dispensaries during the nine months ended September 30, 2020.

***Production Expenses & Cost of Goods from Third Party Suppliers & Biological Assets and Fair Value Adjustments***

| | Three Months Ended September 30, | | Change | | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Revenues, Net of Discounts | $ 136,274,321 | $ 70,730,359 | $ 65,543,962 | 93% | $ 353,095,707 | $ 173,126,436 | $ 179,969,271 | 104% |
| Production Expenses and Cost of Goods From Third Party Suppliers | | | | | | | | |
| Production Expenses and Cost of Goods From Third Party Suppliers before Fair Value Adjustments | 34,099,341 | 26,715,460 | 7,383,881 | 28% | 92,705,434 | 61,664,906 | 31,040,528 | 50% |
| Gross Profit before Fair Value Adjustments | 102,174,980 | 44,014,899 | 58,160,081 | 132% | 260,390,273 | 111,461,530 | 148,928,743 | 134% |
| Gross Margin before Fair Value Adjustment | 75% | 62% | | | 74% | 64% | | |
| Fair Value Adjustments | | | | | | | | |
| Unrealized Change in Fair Value of Biological Assets | 89,269,962 | 89,055,337 | 214,625 | 0% | 243,675,100 | 217,866,779 | 25,808,321 | 12% |
| Realized Fair Value Adjustments on Inventory Sold | (106,057,135) | (22,935,473) | (83,121,662) | 362% | (281,678,328) | (75,293,257) | (206,385,071) | 274% |
| Total Fair Value Adjustments | (16,787,173) | 66,119,864 | (82,907,037) | (125%) | (38,003,228) | 142,573,522 | (180,576,750) | (127%) |
| Gross Profit after Fair Value Adjustments | $ 85,387,807 | $ 110,134,763 | $ (24,746,956) | (22%) | $ 222,387,045 | $ 254,035,052 | $ (31,648,007) | (12%) |
| *Gross Margin after Fair Value Adjustment* | 63% | 156% | – | – | 63% | 147% | – | – |

Production expenses and cost of goods from third party suppliers are derived from cost related to the internal cultivation, production, and purchase of cannabis. The production costs include the direct cost of seeds and growing materials, as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space.

The specific individual types of costs by their nature which compose direct/indirect costs of biological assets are as follows:

- Wages, payroll taxes, and insurance of those personnel involved in the cultivation of marijuana plants.
- Wages, payroll taxes, and insurance of those personnel involved in the indirect service provided at the cultivation sites including security and maintenance.
- Direct costs used in the production of the marijuana plants including soils, nutrients, and integrated pests.
- Overhead costs with the cultivation sites including rent, insurance, taxes, utilities, and security.
- Indirect supplies including uniforms, scrubs, hairnets, gloves, office supplies, and software.
- Depreciation of owned and leased cultivation buildings, improvements and cultivation equipment.

See below for the breakout for the three and nine months ended September 30, 2020 and September 30, 2019 for the production expenses and cost of goods from third party suppliers.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Grow Costs Incurred | $ 16,082,792 | $ 15,205,762 | $ 47,713,446 | $ 37,617,230 |
| Processing Costs and Purchased Goods for Inventory Sold | 18,016,549 | 11,509,698 | 44,991,988 | 24,047,676 |
| **Total (1)** | $ 34,099,341 | $ 26,715,460 | $ 92,705,434 | $ 61,664,906 |

All direct and indirect costs related to both biological assets grown, and inventory sold are included in the production expenses on the accompanying unaudited condensed consolidated interim statements of operations.

Production expenses and cost of goods from third party suppliers, excluding any adjustments to the fair value of biological assets, for the three months ended September 30, 2020 were $34.1 million, up $7.4 million, from $26.7 million for the three months ended September 30, 2019. This increase was driven by continued market growth and higher sales volume in the third quarter of 2020, in addition to the result of capital expenditures incurred since the end of the third quarter of 2019 to automate and improve the cultivation processes to increase crop yields and decrease costs related to production. Production expenses and cost of goods from third party suppliers as a percentage of revenue were 25% for the three months ended September 30, 2020, as compared to 38% for the three months ended September 30, 2019. Production expenses and cost of goods from third party suppliers, excluding any adjustments to the fair value of biological assets, for the nine months ended September 30, 2020 were $92.7 million, up $31.0 million from $61.7 million for the nine months ended September 30, 2019 as a result of the increase in dispensaries from 2019 to 2020. This increase was driven by continued market growth and higher sales volume during the nine months in 2020, in addition to the result of capital expenditures incurred since the end of the third quarter of 2019 to automate and improve the cultivation processes to increase crop yields and decrease costs related to production.

Revenues less production expenses and cost of goods from third party suppliers and fair value adjustments for the three months ended September 30, 2020 were $85.4 million, down $24.7 million, from $110.1 million for the three months ended September 30, 2019. This decrease was driven by a decrease in the net effect of change in fair value of biological assets and partially offset by increased retail sales. The Corporation did not plant a spring crop at its greenhouse facilities in the first quarter of 2020, thus there were fewer plants undergoing transformation in the three months ended September 30, 2020, resulting in a decrease in the net effect change in fair value of biological assets. The Corporation had a small experimental greenhouse planting in the third quarter of 2020, the experimental inventory was sold at higher costs to produce.

Revenues less production expenses and cost of goods from third party suppliers and fair value adjustments for the nine months ended September 30, 2020 were $222.4 million, down $31.6 million, from $254.0 million for the nine months ended September 30, 2019. The decrease was driven by a decrease in the net effect of change in the fair value of biological assets. The Corporation did not plant a spring crop at its greenhouse facilities in the first quarter of 2020, thus there were fewer plants undergoing transformation in the nine months ended September 30, 2020, resulting in a decrease in the net effect change in fair value of biological assets. The Corporation had a small experimental greenhouse planting in the third quarter of 2020.

The Corporation has followed IAS 2 regarding the capitalization of post-harvest cost for inventory not sold in Q3 2020.

The Corporation tracks separate from inventory processing costs, all direct and indirect costs incurred in the growing of biological assets (“grow costs”). The total of these grow costs is divided by the number of grams grown in a given period in order to determine grow costs per gram. The amounts reported in the

table above represent the total grow costs of the period end bio assets and inventory. This is determined as the product of:

a) grams of biological assets undergoing biological transformation (bio assets) and harvested grams on hand (inventory) at the end of the period; and
b) the grow costs per gram.

For the three and nine months ended September 30, 2020, total grow costs incurred were $16.1 million and $47.7 million, respectively. For the same periods in 2019 the grow costs incurred were $15.2 million and $37.6 million, respectively.

The Corporation has quantified and presented in the table below the difference that would have been capitalized from period to period under the alternate accounting policy choice to capitalize growing costs. At September 30, 2020, the total growing costs that would have been capitalized were $46.2 million. Under the capitalization approach, these assets will be sold post September 30, 2020 and would therefore not be expensed at September 30, 2020.

At December 31, 2019, the total growing costs that would have been capitalized were $41.3 million. Under the capitalization approach, these assets will be sold post December 31, 2019 and would therefore not be expensed at December 31, 2019.

The difference between these amounts, $4.9 million, is presented as the net impact of the capitalize vs expense approach for the nine months ended September 30, 2020.

| Estimated Growing Cost in Closing | September 30, 2020 | December 31, 2019 | Difference |
|---|---|---|---|
| Inventories | $ 39,149,679 | $ 30,470,307 | $ 8,679,372 |
| Biological Assets | $ 7,011,168 | $ 10,835,213 | $ (3,824,045) |
| Total | $ 46,160,847 | $ 41,305,520 | $ 4,855,327 |

The Corporation determines grow costs per gram of dry flower in a manner consistent with the capitalization methodology outlined in IAS 2; this includes both direct and indirect costs. The Company's policy choice outlines that these grow costs are expensed as incurred. At each period end, the Company determines the total number of grams on hand, both undergoing biological transformation in biological assets and grams that have been harvested and are in ending inventory. The Company uses its growing cost information to determine the total growing costs incurred to grow these grams on hand at period end. This represents the value that would have been "capitalized" under the capitalized approach. The rest of the growing costs would have flowed through as production expenses as the inventory is sold. The table below reflects the period end grow costs and the respective period over period change on a retrospective basis:

| | **Growing Costs $** | **Change in Grow Costs (Q/Q)** |
|---|---|---|
| December 31, 2017 | 2,809,159 | |
| March 31, 2018 | 7,332,227 | 4,523,068 |
| June 30, 2018 | 7,617,213 | 284,986 |
| September 30, 2018 | 11,673,798 | 4,056,585 |
| December 31, 2018 | 12,566,730 | 892,932 |
| March 31, 2019 | 12,004,033 | (562,697) |
| June 30, 2019 | 19,716,017 | 7,711,983 |
| September 30, 2019 | 28,854,200 | 9,138,183 |
| December 31, 2019 | 41,305,520 | 12,451,320 |
| March 31, 2020 | 47,904,987 | 6,599,467 |
| June 30, 2020 | 46,835,974 | (1,069,013) |
| September 30, 2020 | 46,160,847 | (675,127) |

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory. The fair value of the biological asset at harvest becomes the initial inventory costs when transferred.

When the product is sold, the fair value is relieved from inventory and the transfer is booked to fair value adjustment on inventory sold.

*Sales and Marketing Expenses*

| | Three Months Ended September 30, | | Change Increase/(Decrease) | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Sales and marketing expenses | $ 29,446,303 | 14,720,608 | 14,725,695 | 100% | 76,602,417 | 35,871,075 | $ 40,731,342 | 114% |
| % of total revenue | 22% | 21% | | | 22% | 21% | | |

Sales and marketing expenses increased for the three months ended September 30, 2020 to $29.4 million compared to the three months ended September 30, 2019 of $14.7 million, an increase of $14.7 million. The increase in sales and marketing expenses is the result of the increase in personnel related costs due to higher head count in the sales and marketing workforce due to the 24 additional dispensaries added since September 30, 2019.

Sales and marketing expenses increased for the nine months ended September 30, 2020 to $76.6 million compared to the nine months ended September 30, 2019 of $35.9 million, an increase of $40.7 million. The overall increase in sales and marketing expenses was due to the opening of additional dispensary locations and the associated personnel costs. As of September 30, 2020, there were 61 dispensaries compared to 37 dispensaries as of September 30, 2019.

*General and Administrative Expenses*

| | Three Months Ended September 30, | | Change Increase/(Decrease) | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| General and administrative expenses | $ 8,501,463 | 3,243,380 | 5,258,083 | 162% | 22,696,163 | 8,779,164 | $ 13,916,999 | 159% |
| % of total revenue | 6% | 5% | | | 6% | 5% | | |

General and administrative expenses increased to $8.5 million for the three months ended September 30, 2020 an increase of $5.3 million compared to $3.2 million for the three months ended September 30, 2019. The increase is due to greater infrastructure expenses and personnel costs to support business growth and potential expansion into additional markets.

General and administrative expenses increased to $22.7 million for the nine months ended September 30, 2020 an increase of $13.9 million compared to $8.8 million for the nine months ended September 30, 2019. The increase in general and administrative expenses is the result of an increase in personnel costs related to higher headcount in corporate related fields such as accounting, legal and information technology to sustain and increase the high growth the company has achieved year over year.

*Depreciation and Amortization*

| | Three Months Ended September 30, | | Change Increase/(Decrease) | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Depreciation and Amortization | $ 4,014,927 | 2,665,269 | 1,349,658 | 51% | 11,037,367 | 5,965,996 | $ 5,071,371 | 85% |
| % of total revenue | 3% | 4% | | | 3% | 3% | | |

The increase of $1.3 million in depreciation and amortization expense for the three months ended September 30, 2020, from $4.0 million for the three months ended September 30, 2020 compared to $2.7

million for the three months ended September 30, 2019. The increase in depreciation and amortization expenses was due to additional capital leases added since the nine months ended September 30, 2019 as well as higher capitalized assets in 2020 compared to 2019.

The increase in depreciation and amortization expense for the nine months ended September 30, 2020 was $5.1 million, from $6.0. million for the nine months ended September 30, 2019 to $11.0 million for the nine months ended September 30, 2020. The increase was due to higher capitalized assets in 2020 compared to 2019 as a result of increased infrastructure to support the business growth, such as additional dispensaries and automation of cultivation sites.

*Total Other Income (Expense)*

| | Three Months Ended September 30, | | Change Increase/(Decrease) | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Total Other Expenses/(Income) | $ 17,113,408 | $ (1,253,443) | $ 18,366,851 | (1465%) | $ 30,863,499 | $ 1,877,345 | $ 28,986,154 | 1544% |
| % of total revenue | 13% | -2% | | | 9% | 1% | | |

Total other expense (income) for the three months ended September 30, 2020 was $17.1 million, up $18.4 million, from $(1.3 million) for the three months ended September 30, 2019. The overall increase is the result of interest expense related to capital leases, June and November Notes and the impact of the revaluation of the debt warrants.

Total other income (expense) for the nine months ended September 30, 2020 was $30.9 million, up $29.0 million, from $1.9 million for the nine months ended September 30, 2019. The overall increase is the result of interest expense related to capital leases, June and November Notes and the impact of the revaluation of the debt warrants.

*Provision for Income Taxes*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | $ | % |
| Provision For Income Taxes | 21,569,329 | 30,487,678 | 55,886,167 | 69,039,142 | $ (13,152,975) | (19%) |

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the three months ended September 30, 2020, provisions for Federal and State income tax totaled $21.6 million, down $8.9 million, from $30.5 million for the three months ended September 30, 2019. The tax rate for the three months ended September 30, 2020 was 25% as compared to 28% for the three months ended September 30, 2019, when the tax expense is taken as a percentage of revenues less production expenses and cost of goods from third party suppliers and fair value adjustments.

For the nine months ended September 30, 2020, provisions for Federal and State income tax totaled $55.9 million, down $13.2 million, from $69.0 million for the nine months ended September 30, 2019. The tax rate for the nine months ended September 30, 2020 was 25% as compared to 27% for the nine months ended September 30, 2019, when the tax expense is taken as a percentage of revenues less production expenses and cost of goods from third party suppliers and fair value adjustments.

*Net Income*

| | Three Months Ended September 30, | | Change Increase/(Decrease) | | Nine Months Ended September 30, | | Change Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Net Income | $ 4,742,377 | $ 60,271,271 | $ (55,528,894) | (92%) | $ 25,301,432 | $ 132,502,330 | $ (107,200,898) | (81%) |

Net income for the three months ended September 30, 2020 was $4.7 million, down $55.5 million, from $60.3 million for the three months ended September 30, 2019. The decrease in net income was primarily driven from the decrease in the fair value of biological assets period-over-period. The decrease in the fair

value is due to the Company's decision to not do a spring plant for greenhouses in 2020, as a result, there were less plants undergoing transformation and therefore a corresponding decrease in the fair value of biological assets, resulting in a decrease to net income. Additionally, sales and marketing and general and administrative expenses increased due to the scaling of the business to support additional dispensaries and increases in personnel related costs. Net income also decreased as a result of the revaluation on the fair value of the debt warrants. Trulieve's decrease in net income was partially offset by the increase period-over-period of revenues less production expenses and cost of goods from third party suppliers excluding any adjustments to the fair value of biological assets due to the organic growth in sales as a result of the increase in patient count and the increase in margins as a result of improvements made to automate the cultivation process.

Net income for the nine months ended September 30, 2020 was $25.3 million, down $107.2 million, from $132.5 million for the nine months ended September 30, 2019. The decrease in net income was primarily driven from the decrease in the fair value of biological assets period-over-period. The decrease in the fair value is due to the Company's decision to not do a spring plant for greenhouses in 2020, as a result, there were less plants undergoing transformation and therefore a corresponding decrease in the fair value of biological assets, resulting in a decrease to net income. Additionally, sales and marketing and general and administrative expenses increased due to the scaling of the business to support additional dispensaries and increases in personnel related costs, as well as increases in headcount in corporate related fields. Net income also decreased as a result of the revaluation on the fair value of the debt warrants. Trulieve's decrease in net income was partially offset by the increase period-over-period of revenues less production expenses and cost of goods from third party suppliers excluding any adjustments to the fair value of biological assets due to the organic growth in sales as a result of the increase in patient count and the increase in margins as a result of improvements made to automate the cultivation process.

**Drivers of Results of Operations**

*Revenue*

The Corporation derives its revenue from cannabis products which it manufactures, sells and distributes to its customers by home delivery and in its retail stores.

*Revenues less Production Expenses and Cost of Goods from Third Party Suppliers and Fair Value Adjustments*

Revenues less production expenses and cost of goods from third party suppliers and fair value adjustments includes the costs directly attributable to product sales and includes amounts paid to produce finished goods, such as flower, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes 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.

During the three and nine months ended September 30, 2020, the Corporation continued to be focused on executing sustainable profitable growth of the Corporation's base business while investigating expansion. Trulieve continued to expand within Florida with an additional seventeen locations opening in the first nine months of 2020.

*Sales and Marketing*

Sales and marketing expenses consist of marketing expenses related to marketing programs for the Company's products. Personnel related costs related to additional dispensaries are the primary costs of sales and marketing. As the Company continues to expand and open additional dispensaries, our sales and marketing expenses are expected to increase.

*General and Administrative*

General and administrative expenses represent costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, and other professional service costs, including legal and accounting. The Company expects to continue to invest considerably in this area to support our expansion plans and to support the increasing complexity of the cannabis business. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to expansion plans and anticipates a significant increase in compensation expenses related to recruiting and hiring talent. Included in general and administrative expenses are consulting and professional fees, including legal, accounting and investor relations fees, insurance, and costs associated with becoming compliant with the Sarbanes-Oxley Act and other public company corporate expenses.

*Depreciation and Amortization*

Depreciation expense is calculated on a straight-line basis using the estimated useful life of each asset. Estimated useful life is determined by asset class and is reviewed on an annual basis and revised if necessary. Amortization expense is amortized using the straight-line method over the estimated useful life of the intangible assets. Useful lives for intangible assets are determined by type of asset with the initial determination of useful life determined during the valuation of the business combination. On an annual basis, the useful lives of each intangible class of assets are evaluated for appropriateness and adjusted if appropriate.

*Provision for Income Taxes*

The Corporation is subject to federal income taxes and state income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. The Corporation is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to cost of producing the products or cost of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

**Summary of Quarterly Results**

The table below presents selected financial information for each of the eight most recently completed quarters.

| Three Months Ended | Revenues | Net Income/(Loss) |
|---|---|---|
| September 30, 2020 | $ 136,274,321 | $ 4,742,377 |
| June 30, 2020 | 120,764,879 | 6,560,497 |
| March 31, 2020 | 96,056,507 | 13,998,558 |
| December 31, 2019 | 79,692,155 | 45,530,433 |
| September 30, 2019 | 70,730,359 | 60,271,271 |
| June 30, 2019 | 57,920,112 | 57,528,785 |
| March 31, 2019 | 44,475,965 | 14,702,274 |
| December 31, 2018 | $ 35,945,457 | $ 10,719,673 |

Revenue has increased quarter over quarter driven by Trulieve's increased customer base and continued dispensary openings. The Corporation had 61 operating dispensaries as of September 30, 2020, compared to 37 operating dispensaries as of September 30, 2019.

For the three months ended September 30, 2020, the net income of $4.7 million consists of revenue of $136.3 million. This was offset by adjustments to the fair value of biological assets of $16.8 million, production expenses and cost of goods from third party suppliers of $34.1 million, operating expenses of $42.0 million, other expense of $17.1 million, and income tax expense of $21.6 million. The decrease in net income is due to the decrease in the fair value of biological assets which was a result of management's decision to not plant a spring crop at its greenhouse facilities in the first quarter of 2020, resulting in a

decrease in the net effect change in fair value of biological assets. In addition, there was a negative impact from the revaluation of the fair value of the Company's warrants, partially offset by business expansion.

For the three months ended June 30, 2020, the net income of $6.6 million consists of revenue of $120.8 million. This was offset by adjustments to the fair value of biological assets of $16.8 million, production expenses and cost of goods from third party suppliers of $29.7 million, operating expenses of $36.8 million, other expense of $11.8 million, and income tax expense of $19.2 million. The decrease in net income from March 31, 2020 is due to the Company's decision to not do a spring plant for greenhouses in 2020, as a result, there were less plants undergoing transformation and therefore a corresponding decrease in the fair value of biological assets, resulting in a decrease to net income. In addition, there was a negative impact from the revaluation of the fair value of the Company's warrants, partially offset by our business expansion.

For the three months ended March 31, 2020, the net income of $14.0 million consists of revenue of $96.1 million. This was offset by adjustments to the fair value of biological assets of $4.4 million, production expenses and cost of goods from third party suppliers of $28.9 million, operating expenses of $31.6 million, other expense of $2.0 million, and income tax expense of $15.2 million. The primary reason for the lower net income from the previous quarter was due to the adjustments to the fair value of biological assets. Due to the Company's decision to not do a spring plant in the first quarter of 2020, there are fewer plants undergoing transformation and therefore a decrease of the net effect of change in the fair value of biological assets.

For the three months ended December 31, 2019, the net income of $45.5 million consists of revenue of $79.7 million, adjustments to the fair value of biological assets of $56.7 million. This was offset by production expenses and cost of goods from third party suppliers of $28.1 million, operating expenses of $25.8 million, other expense of $11.5 million, and income tax expense of $25.4 million.

For the three months ended September 30, 2019, the net income of $60.3 million consists of revenue of $70.7 million, adjustments to the fair value of biological assets of $66.1 million, and other income of $1.3 million. This was offset by production expenses and cost of goods from third party suppliers of $26.7 million, operating expenses of $20.6 million, and income tax expense of $30.5 million.

For the three months ended June 30, 2019, the net income of $57.5 million consists of revenue of $57.9 million and adjustments to the fair value of biological assets of $66.2 million. This was offset by production expenses and cost of goods from third party suppliers of $20.4 million, operating expenses of $16.6 million, other expenses of $1.9 million, and income tax expense of $27.7 million.

For the three months ended March 31, 2019, the net income of $14.7 million consists of revenue of $44.5 million and adjustments to the fair value of biological assets of $10.2 million. This was offset by production expenses and cost of goods from third party suppliers of $14.6 million, operating expenses of $13.4 million, other expenses of $1.2 million, and income tax expense of $10.8 million.

For the three months ended December 31, 2018, the net income of $10.7 million consists primarily of revenue of $35.9 million and adjustments to the fair value of biological assets of $12.9 million. This was offset by production expenses and cost of goods from third party suppliers of $15.1 million, operating expenses of $10.9 million, other expenses of $0.7 million, and income tax expense of $11.4 million.

**Liquidity, Financing Activities During the Period, and Capital Resources**

As of September 30, 2020, the Corporation had total current liabilities of $95.1 million and cash of $193.4 million available to meet our current obligation. As of September 30, 2019 Trulieve, had current liabilities of $49.1 million and cash equivalents of $31.0 million. As of September 30, 2020, the Corporation had working capital of $351.6 million, an increase of $158.3 million compared to working capital of $193.3 million at September 30, 2019.

The Corporation is an early-growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over the

next twelve months. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

**Cash Flows**

The table below highlights the Corporation's cash flows for the periods indicated.

| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Net Cash Provided By Operating Activities | $ 73,674,112 | $ 16,270,092 | $ 57,404,020 | 353% |
| Net Cash Used In Investing Activities | (61,570,350) | (71,673,847) | 10,103,497 | (14%) |
| Net Cash Provided By Financing Activities | 89,461,307 | 61,992,036 | 27,469,271 | 44% |
| Net Increase In Cash and Cash Equivalents | 101,565,069 | 6,588,281 | 94,976,788 | 1442% |
| Cash and Cash Equivalents, Beginning of Period | 91,812,821 | 24,430,108 | 67,382,713 | 276% |
| Cash and Cash Equivalents, End of Period | $ 193,377,890 | $ 31,018,389 | $ 162,359,501 | 523% |

*Cash Flow from Operating Activities*

Net cash generated from operating activities was $73.7 million for the nine months ended September 30, 2020, an increase of $57.4 million compared to $16.3 million net cash generated during the nine months ended September 30, 2019. The increase in cash provided by operating activities year-over-year is attributed to the increase in revenue, offset by the decrease in the fair value of the warrants, and the decrease in the income tax payable that was paid in the third quarter of 2020, offset by expenses related to business expansion.

*Cash Flow from Investing Activities*

Net cash used in investing activities was $61.6 million for the nine months ended September 30, 2020, a decrease of $10.1 million compared to the $71.7 million net cash used in investing activities for the nine months ended September 30, 2019. The decrease is primarily due to the $19.9 million in cash used to acquire the net assets of The Healing Corner that occurred in 2019, offset by the additional purchases of property and equipment during the nine months ended September 30, 2020 for additional infrastructure for the expansion and growth of the business.

*Cash Flow from Financing Activities*

Net cash generated from financing activities was $89.5 million for the nine months ended September 30, 2020, an increase of $27.5 million compared to the $62.0 million net cash generated by financing activities for the nine months ended September 30, 2019. The increase was primarily related to the $83.2 million for the proceeds for issuance of shares offering that occurred in September 2020 and the $11.5 million proceeds from share warrants exercised during the nine months ended September 30, 2020. This was partially offset by the $65.9 million in net proceeds received from the debt issuance in 2019.

**Off-Balance Sheet Arrangements**

As of the date of this filing, the Corporation does 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 the Corporation, including, and without limitation, such considerations as liquidity and capital resources.

**Transactions with Related Parties**

The Corporation had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the balance at September 30, 2020 and December 31, 2019 was $12.0 million and

$12.9 million, respectively. As disclosed in the accompanying unaudited condensed consolidated interim financial statements the following related parties are identified:

- The February 2019, March 2018, June 2018 and November 2018 notes were Benjamin Atkins, a former director and shareholder.
- The April 2018 note was Clearwater GPC, an entity in which certain directors or former directors of the Corporation have an interest (as disclosed in the Corporation's CSE listing statement dated September 25, 2018).
- The May 2018 note was Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, as disclosed in the Annual Information Form of the Corporation dated April 10, 2019 (the "**2018 AIF**") as the "**Rivers Note**."
- The May 2018 note as disclosed in the 2018 AIF as the "Traunch Four Note". Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, as well as Thad Beshears, Richard May and George Hackney, all directors of the Corporation, hold interests in Traunch Four LLC.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, is a minority owner of a company (the "Supplier") that provides construction and related services to the Corporation. The Supplier is responsible for the construction of the Corporation's cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the nine months ended September 30, 2020, property and equipment purchases totaled $65.0 million. As of September 30, 2020, $8.7 million was included in accounts payable. The use of the Supplier was reviewed and approved by the independent members of the Corporation's board of directors, and all invoices are reviewed by the office of the Corporation's general counsel.

The Corporation has many leases from various real estate holding companies that are managed, controlled by various related parties including Benjamin Atkins, a former director and current shareholder of the Corporation, and the Supplier. As of September 30, 2020, and under IFRS 16, the Corporations had $15.7 million and $17.9 million of related party right-of-use assets in Property and Equipment, Net and Lease Liability, respectively. Of the $17.9 million Lease Liability, $1.9 million is included in Lease Liability – Current.

**Changes in or Adoption of Accounting Practices**

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as the related standards on disclosures, IFRS 7, Financial Instruments: Disclosures. The amendments are effective from January 1, 2020. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by interest rate benchmark reform in the following areas:

- the 'highly' probable requirement,
- prospective assessments,
- retrospective assessments (for IAS 39), and
- eligibility of risk components.

The adoption of amendments to IFRS 9 and IAS 3 did not have a material impact on the unaudited condensed consolidated interim financial statements.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and underlying assumptions are reviewed on

an ongoing basis. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates, revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

*Estimated Useful Lives and Depreciation of Property and Equipment and Intangible Assets*

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

*Accounting for acquisitions and business combinations*

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired and consideration paid 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. 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.

*Biological assets and inventory*

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including the fair value of cannabis flower, estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to make an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value.

*IFRS 16 - Leases*

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

*Compound financial instruments*

The identification of components in compound financial instruments is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

*Share-based payment arrangements*

We use the Black-Scholes pricing model to determine the fair value of warrants granted to employees and directors under share-based payment arrangements, where appropriate. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of future share price, risk free rates, and future dividend yields at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

**Summary of Outstanding Share Data**

At October 31, 2020, the Corporation had the following securities issued and outstanding:

| Securities | Number of Shares | Voting Shares |
|---|---|---|
| Issued and Outstanding | | |
| Subordinate Voting Shares | 58,134,478 | 58,134,478 |
| Super Voting Shares | 581,825 | 58,182,500 |
| Multiple Voting Shares | 14,770 | 1,476,959 |
| Warrants | 6,061,561 | 6,061,561 |
| Options | 1,148,173 | 1,148,173 |
| | | 125,003,671 |

Each Multiple Voting Share, including those issued upon conversion of the Super Voting Shares, is convertible into 100 Subordinate Voting Shares at the option of the holder or upon certain triggering events.

**Financial Instruments and Financial Risk Management**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, warrant liability, notes payable (both to third parties and related parties) and finance liability. Excluding the warrant liability classified at FVTPL. The carrying values of these financial instruments approximate their fair values. 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. |

**Financial Risk Management**

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

**Credit Risk**

Management does not believe that the Company has credit risk, as the Company's revenue is generated

exclusively through cash transactions. The Company deals almost entirely with on demand sales and does not enter into any wholesale agreements, therefore does not have trade accounts receivable.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

**Market Risk**

Strategic and operational risks arise if we fail to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

**Currency Risk**

The operating results and financial position of the Corporation are reported in U.S. dollars. Some of the Corporation's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

The Corporation has no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial. The Company values the debt warrants using interest rates, any change in the rates will have a material impact on the fair value of the warrants.

**Concentration Risk**

The Corporation's operations are substantially located in Florida. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

**Price Risk**

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company has exposure to the U.S. dollar and Canadian dollar from warrant derivatives. The Company is mainly exposed to a 10% change in the U.S. dollar against the Canadian dollar which could result in an immaterial impact to net income.

**Banking Risk**

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Corporation, its subsidiaries

and investee companies, and leaves their cash holdings vulnerable. The Corporation has banking relationships in all jurisdictions in which it operates.

## RISK FACTORS

### Risks related to Our Business and Industry

***Cannabis is illegal under U. S. federal law.***

In the United States, cannabis is largely regulated at the state level. Each state in which we operate (or are currently proposing to operate) authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other states have legalized cannabis in some form. However, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminalized under the Controlled Substances Act, as amended, which we refer to as the CSA. Cannabis is a Schedule I controlled substance under the CSA, and is thereby deemed to have a high potential for abuse, no accepted medical use in the United States, and a lack of safety for use under medical supervision. The concepts of "medical cannabis," "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. Although we believe that our business activities are compliant with applicable state and local laws in the United States, strict compliance with state and local cannabis laws would not provide a defense to any federal proceeding which may be brought against us. Any such proceedings may result in a material adverse effect on us. We derive 100% of our revenues from the cannabis industry. The enforcement of applicable U.S. federal laws poses a significant risk to us.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, or settlements arising from civil proceedings conducted by either the United States federal government or private citizens. We may also be subject to criminal charges under the CSA, and if convicted could face a variety of penalties including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Any of these could have a material adverse effect on our reputation and ability to conduct our business, our holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, our financial position, operating results, profitability or liquidity or the market price of our publicly-traded shares. In addition, it is difficult for us to estimate the time or resources that would be needed for the investigation, settlement or trial of any such proceedings or charges, and such time or resources could be substantial.

***The regulation of cannabis in the United States is uncertain.***

Our activities are subject to regulation by various state and local governmental authorities. Our business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals necessary for the sale of our products in the jurisdictions in which we operate. Any delays in obtaining, or failure to obtain necessary regulatory approvals would significantly delay our development of markets and products and could have a material adverse effect on our business, results of operations and financial condition. Furthermore, although we believe that our operations are currently carried out in accordance with all applicable state and local rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail our ability to distribute or produce marijuana. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of marijuana, or more stringent implementation thereof could have a substantial adverse impact on us.

***The cannabis industry is relatively new.***

We are operating in a relatively new industry and market. In addition to being subject to general business risks, we must continue to build brand awareness in this industry and market share through significant investments in our strategy, production capacity, quality assurance and compliance with regulations. Research in Canada, the United States and internationally regarding the medical benefits,

viability, safety, efficacy and dosing of cannabis or isolated cannabinoids, such as cannabidiol, or CBD, and tetrahydrocannabinol, or THC, remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for our products and dispensary services.

Accordingly, there is no assurance that the cannabis industry and the market for medicinal and/or adult-use cannabis will continue to exist and grow as currently anticipated or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets could have a material adverse effect on our business, financial condition and results of operations.

***Our ability to grow our medical and adult-use cannabis product offerings and dispensary services may be limited.***

As we introduce or expand our medical and adult-use cannabis product offerings and dispensary services, we may incur losses or otherwise fail to enter certain markets successfully. Our expansion into new markets may place us in competitive and regulatory environments with which we are unfamiliar and involve various risks, including the need to invest significant resources and the possibility that returns on those investments will not be achieved for several years, if at all. In attempting to establish new product offerings or dispensary services, we may incur significant expenses and face various other challenges, such as expanding our work force and management personnel to cover these markets and complying with complicated cannabis regulations that apply to these markets. In addition, we may not successfully demonstrate the value of these product offerings and dispensary services to consumers, and failure to do so would compromise our ability to successfully expand these additional revenue streams.

***We may acquire other companies or technologies.***

Our success will depend, in part, on our ability to grow our business in response to the demands of consumers and other constituents within the cannabis industry as well as competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. In addition, we may not realize the expected benefits from completed acquisitions. The risks we face in connection with acquisition include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources, and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures, and policies;
- potential write-offs of intangible assets or other assets acquired in transactions that may have an adverse effect on our operating results in a given period;

- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; and

- litigation or other claims in connection with the acquired company, including claims from terminated employees, consumers, former stockholders, or other third parties.

Our failure to address these risks or other problems encountered in connection with any future acquisitions or investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in the incurrence of debt, contingent liabilities, amortization expenses, or the impairment of goodwill, any of which could harm our financial condition.

We may issue additional Subordinate Voting Shares in connection with such transactions, which would dilute our other shareholders' interests in us. The presence of one or more material liabilities of an acquired company that are unknown to us at the time of acquisition could have a material adverse effect on our business, results of operations, prospects and financial condition. A strategic transaction may result in a significant change in the nature of our business, operations and strategy. In addition, we may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into our operations.

***If we cannot manage our growth, it could have a material adverse effect on our business, financial condition and results of operations.***

We may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Our inability to successfully manage our growth may have a material adverse effect on our business, financial condition, results of operations or prospects.

***Anti-Money Laundering Laws in the United States may limit access to funds from banks and other financial institutions.***

In February 2014, the Financial Crimes Enforcement Network, or FinCEN, bureau of the United States Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. While the guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as they meet certain conditions, this guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the United States Department of Justice, or DOJ, FinCEN or other federal regulators. Because of this and the fact that the guidance may be amended or revoked at any time, most banks and other financial institutions have not been willing to provide banking services to cannabis-related businesses. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, we may have limited or no access to banking or other financial services in the United States, and may have to operate our United States business on an all-cash basis. If we are unable or limited in our ability to open or maintain bank accounts, obtain other banking services or accept credit card and debit card payments, it may be difficult for us to operate and conduct our business as planned. Although, we are actively pursuing alternatives that ensure our operations will continue to be compliant with the FinCEN guidance (including requirements related to disclosures about cash management and U.S. federal tax reporting), we may not be able to meet all applicable requirements.

We are also subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and

Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

In the event that any of our operations or related activities in the United States were found to be in violation of money laundering legislation or otherwise, those transactions could be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends or effect other distributions.

***The re-classification of cannabis or changes in U.S. controlled substance laws and regulations could have a material adverse effect on our business, financial condition and results of operations.***

If cannabis is re-classified as a Schedule II or lower controlled substance under the CSA, the ability to conduct research on the medical benefits of cannabis would most likely be more accessible; however, if cannabis is re-categorized as a Schedule II or lower controlled substance, the resulting re-classification would result in the need for approval by United States Food and Drug Administration, or FDA, if medical claims are made about our medical cannabis products. As a result of such a re-classification, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products could become subject to a significant degree of regulation by the United States Drug Enforcement Administration, or DEA. In that case, we may be required to be registered to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of our products. The DEA conducts periodic inspections of registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on our business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

***Potential regulation by the FDA could have a material adverse effect on our business, financial condition and results of operations.***

Should the United States federal government legalize cannabis, it is possible that the FDA would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety of our medical cannabis products. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the agency and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is uncertain, including what costs, requirements, and possible prohibitions may be imposed. If we are unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on our business, operating results, and financial condition

***We could be materially adversely impacted due to restrictions under U. S. border entry laws.***

Because cannabis remains illegal under U. S. federal law, those investing in Canadian companies with operations in the U. S. cannabis industry could face detention, denial of entry or lifetime bans from the United States as a result of their business associations with U. S. cannabis businesses. Entry into happens at the sole discretion of United States Customs and Border Patrol, or CBP, officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-U.S. citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U. S. federal law, could mean denial of entry to the United States. Business or financial involvement in the cannabis industry in the United States could also be reason enough for denial of entry into the United States. On September 21, 2018, the CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of U. S. laws regarding controlled substances. According to the statement, because cannabis continues to be a controlled substance under U. S. law,

working in or facilitating the proliferation of the marijuana industry in U.S. states where it is legal under state law may affect admissibility to the United States. On October 9, 2018, the CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry in Canada. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada who seeks to come into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. As a result, the CBP has affirmed that employees, directors, officers and managers of and investors in companies involved in business activities related to cannabis in the United States (such as Trulieve), who are not U. S. citizens face the risk of being barred from entry into the United States for life.

***As a cannabis company, we may be subject to heightened scrutiny in Canada and the United States that could materially adversely impact the liquidity of the Subordinate Voting Shares.***

Our existing operations in the United States, and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada.

Given the heightened risk profile associated with cannabis in the United States, The Canadian Depository of Securities, or CDS, may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, the parent company of CDS, announced the signing of a Memorandum of Understanding, which we refer to as the TMX MOU, with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no assurances given that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Subordinate Voting Shares to settle trades. In particular, the Subordinate Voting Shares would become highly illiquid until an alternative was implemented and investors would have no ability to effect a trade of the Subordinate Voting Shares through the facilities of a stock exchange.

***We expect to incur significant ongoing costs and obligations related to our investment in infrastructure, growth, regulatory compliance and operations***

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on our results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase our compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition. Our efforts to grow our business may be more costly than expected, and we may not be able to increase our revenue enough to offset these higher operating expenses. We may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of our securities may significantly decrease.

***The market for the Subordinate Voting Shares may be limited for holders of our securities who live in the United States.***

Given the heightened risk profile associated with cannabis in the United States, capital markets participants may be unwilling to assist with the settlement of trades for U.S. resident securityholders of companies with operations in the U. S. cannabis industry, which may prohibit or significantly impair the ability of securityholders in the United States to trade our securities. In the event residents of the United States are unable to settle trades of our securities, this may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices and the liquidity of these securities.

***The COVID-19 Pandemic could adversely affect our business, financial condition and results of operations.***

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments or their impact on our financial results and condition. Thus far, the COVID-19 pandemic has not had a material adverse effect on our business, financial condition and results of operations.

Nonetheless, our business could be materially and adversely affected by the risks, or the public perception of the risks, related to the continuing COVID-19 pandemic. The risk of a pandemic, or public perception of such a risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our products. Further, these risks could also adversely affect our customers' financial condition, resulting in reduced spending for the products we sell. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause our employees to avoid our properties, which could adversely affect our ability to adequately staff and manage our businesses. “Shelter-in-place” or other such orders by governmental entities could also disrupt our operations if employees who cannot perform their responsibilities from home are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of our stores or other facilities. Although our medical dispensaries in Florida have been considered essential services and therefore have been allowed to remain operational, our adult-use operations may not be allowed to remain open during the COVID-19 crisis.

The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect our business, financial condition, growth strategies and results of operations.

***We may not be able to locate and obtain the rights to operate at preferred locations.***

In Massachusetts and other states, the local municipality has authority to choose where any cannabis establishment will be located. These authorized areas are frequently removed from other retail operations. Because the cannabis industry remains illegal under U. S. federal law, the disadvantaged tax status of businesses deriving their income from cannabis, and the reluctance of the banking industry to support cannabis businesses, it may be difficult for us to locate and obtain the rights to operate at various preferred locations. Property owners may violate their mortgages by leasing to us, and those property owners that

are willing to allow use of their facilities may require payment of above fair market value rents to reflect the scarcity of such locations and the risks and costs of providing such facilities.

***As a cannabis business, we are subject to certain tax provisions that have a material adverse effect on our business, financial condition and results of operations.***

Under Section 280E of the U. S. Internal Revenue Code of 1986, as amended, or the U.S. Tax Code,, "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the United States Internal Revenue Service, or IRS, to cannabis operations, prohibiting them from deducting expenses directly associated with cannabis businesses. Section 280E may have a lesser impact on cannabis cultivation and manufacturing operations than on sales operations. Section 280E and related IRS enforcement activity has had a significant impact on the operations of cannabis companies. As a result, an otherwise profitable business may, in fact, operate at a loss, after taking into account its United States income tax expenses.

***We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on our financial condition and results of operations.***

We are a Canadian corporation, and as a result generally would be classified as a non-United States corporation under general rules of U. S. federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for U. S.s federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside of the United States will nevertheless be treated as a United States corporation for U. S. federal income tax purposes, which is referred to as an inversion, if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable U. S. Treasury regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the acquired United States corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

Pursuant to Section 7874 of the U.S. Tax Code, we are classified as a United States corporation for United States federal income tax purposes and are subject to United States federal income tax on our worldwide income. Regardless of any application of section 7874 of the U.S. Tax Code, however, we expect to be treated as a Canadian resident company for purposes of the Canadian Income Tax Act, as amended. As a result, we will be subject to taxation both in Canada and the United States, which could have a material adverse effect on our financial condition and results of operations.

***We may not have access to United States bankruptcy protections available to non-cannabis businesses.***

Because cannabis is a Schedule I controlled substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If we were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to us, which would have a material adverse effect on us and may make it more difficult for us to obtain debt financing.

***We are a holding company and our ability to pay dividends or make other distributions to stockholders may be limited.***

Trulieve Cannabis Corp. is a holding company and essentially all of its assets are the capital stock of its subsidiaries. We currently conduct substantially all of our business through Trulieve US, which currently generates substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future growth opportunities are dependent on the earnings of Trulieve US and our other subsidiaries and the distribution of those earnings to Trulieve Cannabis Corp. The ability of our subsidiaries to pay dividends and other distributions will depend on those subsidiaries' operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by a subsidiary company and contractual restrictions contained in the instruments governing any current or future indebtedness of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of Trulieve US or another of our subsidiaries, holders of indebtedness and trade creditors of that subsidiary may be entitled to payment of their claims from that subsidiary's assets before we or our stockholders would be entitled to any payment or residual assets.

***There is doubt regarding our ability to enforce contacts.***

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level in the United States, judges in multiple states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate U.S. federal law, even if there is no violation of state law. There remains doubt and uncertainty that we will be able to legally enforce our contracts. If we are unable to realize the benefits of or otherwise enforce the contracts into which enter, it could have a material adverse effect on our business, financial condition and results of operations.

***We face increasing competition that may materially and adversely affect our business, financial condition and results of operations.***

We face competition from companies that may have greater capitalization, access to public equity markets, more experienced management or more maturity as a business. The vast majority of both manufacturing and retail competitors in the cannabis market consists of localized businesses (those doing business in a single state). Though there are a few multistate operators with which we compete directly. Aside from this direct competition, out-of-state operators that are capitalized well enough to enter markets through acquisitive growth are also part of the competitive landscape. Similarly, as we execute our growth strategy, operators in our future state markets will inevitably become direct competitors. We are likely to continue to face increasing and intense competition from these companies. Increased competition by larger and better financed competitors could materially and adversely affect our business, financial condition and results of operations.

If the number of users of adult-use and medical marijuana in the United States increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, we will require a continued investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain sufficient levels of investment in research and development, marketing, sales and client support efforts to remain competitive, which could materially and adversely affect our business, financial condition and results of operations.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and the formation of strategic relationships. Acquisitions or other consolidating transactions could harm us in a number of ways, including losing customers, revenue and market share, or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm our operating results. As competitors enter the market and become increasingly sophisticated, competition in our industry may intensify and place downward pressure on retail prices for our products and services, which could negatively impact our profitability.

***We are subject to limits on our ability to own the licenses necessary to operate our business, which will adversely affect our ability to grow our business and market share in certain states.***

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person or entity may own in that state. For example, in Massachusetts, no person or entity may have an ownership interest in, or control over, more than three medical licenses or three adult-use licenses in any category – for example, cultivation, product manufacturing, transport or retail. Such limitations on the acquisition of ownership of additional licenses within certain states may limit our ability to grow organically or to increase our market share in affected states.

***We may not be able to accurately forecast our operating results and plan our operations due to uncertainties in the cannabis industry.***

Because U. S. federal and state laws prevent widespread participation in and otherwise hinder market research in the medical and adult-use cannabis industry, the third-party market data available to us is limited and unreliable. Accordingly, we must rely largely on our own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. Our market research and projections of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the our management team as of the date hereof. A failure in the demand for our products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, results of operations, financial condition or prospects.

***We are subject to risks related to growing an agricultural product.***

Our business involves the growing of cannabis, an agricultural product. Such business is subject to the risks inherent in the agricultural business, such as losses due to infestation by insects or plant diseases and similar agricultural risks. Although much of our growing is expected to be completed indoors, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

***We may not be able to adequately protect our intellectual property.***

As long as cannabis remains illegal under U. S. federal law as a Schedule I controlled substance under the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection, may not be available to us. As a result, our intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, we can provide no assurance that we will ever obtain any protection of our intellectual property, whether on a federal, state or local level.

***Our property is subject to risk of civil asset forfeiture.***

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

***We are highly dependent on certain key personnel.***

We depend on key managerial personnel, including Kim Rivers our Chief Executive Officer, for our continued success, and our anticipated growth may require additional expertise and the addition of new qualified personnel. Qualified individuals within the cannabis industry are in high demand and we may incur significant costs to attract and retain qualified management personnel, or be unable to attract or retain

personnel necessary to operate or expand our business. The loss of the services of existing personnel or our failure to recruit additional key managerial personnel in a timely manner, or at all, could harm our business development programs, and our ability to manage day-to-day operations, attract collaboration partners, attract and retain other employees, generate revenues, and could have a material adverse effect on our business, financial condition and results of operations.

***We may be at a higher risk of IRS audit.***

Based on anecdotal information, we believe there is a greater likelihood that the Internal Revenue Service will audit the tax returns of cannabis-related businesses. Any such audit of our tax returns could result in our being required to pay additional tax, interest and penalties, as well as incremental accounting and legal expenses, which could be material.

***We face inherent risks of liability claims related to the use of our products.***

As a distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products cause or are alleged to have caused significant loss or injury. We may be subject to various product liability claims, including, among others, that our products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us, whether or not successful, could result in materially increased costs, adversely affect our reputation with our clients and consumers generally, and have a material adverse effect on our results of operations and financial condition.

We may become party to litigation from time to time in the ordinary course of business which could adversely affect our business. Should any litigation in which we become involved be determined against us, such a decision could adversely affect our ability to continue operating and the market price for the Subordinate Voting Shares. Even if we achieve a successful result in any litigation in which we are involved, the costs of litigation and redirection of our management's time and attention could have an adverse effect on our results of operations and financial condition.

***Our business may be impacted by consumer perception of the cannabis industry, which we cannot control or predict.***

We believe that the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of medical marijuana distributed to those consumers. Consumer perception of our products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for our products and our business, results of operations, financial condition and cash flows.

***Product recalls could result in a material and adverse impact on our business, financial condition and results of operations.***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although we have detailed procedures in place for testing our products, there can

be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of our significant brands were subject to recall, the image of that brand and our company generally could be harmed. Any recall could lead to decreased demand for our products and could have a material adverse effect on our results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

***We are subject to security risks related to our products as well as our information and technology systems.***

Given the nature of our product and its limited legal availability, we are at significant risk of theft at our facilities. A security breach at one of our facilities could expose us to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing our products.

In addition, we collect and store personal information about our patients and we are responsible for protecting that information from privacy breaches. We store certain personally identifiable information and other confidential information of our customers on our systems and applications. Though we maintain robust, proprietary security protocols, we may experience attempts by third parties to obtain unauthorized access to the personally identifiable information and other confidential information of our customers. This information could also be otherwise exposed through human error or malfeasance. The unauthorized access or compromise of this personally identifiable information and other confidential information could have a material adverse impact on our business, financial condition and results of operations.

A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on our business, financial condition and results of operations.

Our operations depend and will depend, in part, on how well we protect our networks, equipment, information technology, or IT, systems and software against damage from a number of threats, including, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Our operations also depend and will continue to depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact our reputation and results of operations.

***Our significant indebtedness may adversely affect our business, financial condition and financial results.***

Our ability to make certain payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing our indebtedness, including the $70,000,000 in aggregate principal amount of notes we issued on June 18, 2019 and the $60,000,000 in aggregate principal amount of notes is issued on November 7, 2019. The contractual restrictions in the instruments governing such notes include restrictive covenants that limit our discretion with respect to certain business matters. These covenants place restrictions on, among other things, our ability to create liens or other encumbrances, to pay distributions or make certain other payments, and to sell or otherwise dispose of certain assets. A failure to comply with such obligations could result in a default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. Our significant indebtedness could have important consequences, including: (i) our ability to obtain additional financing for working capital, capital expenditures, or acquisitions may be limited; and (ii) all or part of our cash flow from operations may be dedicated to the payment of the principal of and interest on our indebtedness, thereby reducing funds

available for operations. These factors may adversely affect our cash flow. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, may materially and adversely affect our business, results of operations, and financial condition.

***We may be unable to obtain adequate insurance coverage.***

We have obtained insurance coverage with respect to workers' compensation, general liability, directors' and officers' liability, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because we are engaged in and operate within the cannabis industry, there are exclusions and additional difficulties and complexities associated with our insurance coverage that could cause us to suffer uninsured losses, which could adversely affect our business, results of operations, and profitability. There is no assurance that we will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

***We rely on key utility services.***

Our business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to our growing operations, as well as electricity, water and other local utilities. Our cannabis growing operations consume and will continue to consume considerable energy, which makes us vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact our business and our ability to operate profitably. Additionally, any significant interruption or negative change in the availability or economics of the supply chain for our key inputs could materially impact our business, financial condition and operating results. If we are unable to secure required supplies and services on satisfactory terms, it could have a materially adverse impact on our business, financial condition and operating results.

***An ongoing investigation in Florida related to alleged corruption by local officials could have a material adverse impact on our business.***

In 2015, the United States Grand Jury for the North District of Florida began an investigation in to alleged corruption by local officials in Tallahassee, Florida. In June 2017, the grand jury issued subpoenas to the City of Tallahassee and the Community Redevelopment Agency, which we refer to as the Agency, for records of communications, bids for proposals, applications, and more from approximately two dozen business entities and individuals, including Ms. Rivers, our Chief Executive Officer, her husband, J.T. Burnette, and Inkbridge LLC, a business associated with Ms. Rivers. The grand jury also directly subpoenaed Ms. Rivers for information related to her involvement with the Agency, a specific commissioner of the Agency, and political contributions Ms. Rivers made through an associated business. Ms. Rivers timely complied with the subpoena. Ms. Rivers has not been charged with any crime. No information was requested of Ms. Rivers in her capacity as an officer, director or employee of Trulieve. Ms. Rivers promptly disclosed the subpoena to our board of directors and agreed to notify the board of directors of further developments. Following this disclosure, our board of directors met independently to consider the matter, the allegations raised thereunder and Ms. Rivers' response to same. In addition, a member of our board of directors retained counsel to investigate the matter. Based on this review and the advice of counsel, our board of directors concluded that Ms. Rivers was not a target of the investigation. Our board of directors considered the impact of any potential liability in allowing Ms. Rivers to continue as our Chief Executive Officer in the face of the investigation and determined that no independent, formal investigation or further action was warranted at the time based on its understanding of the facts as represented by Ms. Rivers and the independent counsel review. Our board of directors remains confident the investigation does not relate to us or Ms. Rivers' conduct in her capacity as our CEO or director and believes that Ms. Rivers has complied with all requests made of her to date pursuant to the investigation. The investigation however remains ongoing. While there can be no assurances given with respect to the outcome of the investigation, no government official has contacted Ms. Rivers or us as part of the investigation since Ms. Rivers produced documents in response to the subpoena in June, 2017. Ms. Rivers has advised us that her personal counsel contacted the federal prosecutor supervising the investigation in July, 2018, who stated Ms. Rivers was currently not a target of the investigation. We do not know what impact, if any, this investigation will have

on our future efforts to maintain and obtain licenses in Florida or elsewhere. Any negative impact on our Florida license could have a material adverse effect on our business, revenues, operating results and financial condition. It is our goal to create patients loyal to our brand and in return to provide these patients a superior level of customer service and product selection. Any allegation of wrongdoing on the part of Ms. Rivers as a result of the Agency investigation could harm our reputation with our customers and could have a material adverse effect on our business, revenues, operating results and financial condition as well as our reputation, even if the Agency investigation was concluded in favor of Ms. Rivers.

In addition, in the event the Agency investigation results in any allegation of wrongdoing or otherwise further targets Ms. Rivers, Ms. Rivers may be unable to continue serving as our Chief Executive Officer and a member of our board of directors. Qualified individuals within the cannabis industry are in high demand and we may incur significant costs to attract and retain qualified management personnel. The loss of the services of Ms. Rivers, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on our ability to execute our business plan and strategy, and we may be unable to find an adequate replacement on a timely basis. Upon the occurrence of certain events that would be considered to negatively impact Ms. Rivers' involvement with us, including her becoming a target of the investigation, Ms. Rivers has agreed to convert any Super Voting Shares controlled by her into Multiple Voting Shares.

**Risks related to owning Super Voting Shares**

***The holders of our Super Voting Shares have the power to control the outcome of all matters subject to a stockholder vote.***

As a result of the Super Voting Shares that they hold, Kim Rivers, Thad Beshears, Telogia Pharm, LLC and Shade Leaf Holding LLC, whom we collectively refer to herein as the "Founders," exercise a significant majority of the voting power in respect of our outstanding shares. The Subordinate Voting Shares are entitled to one vote per share, Multiple Voting Shares are entitled to 100 votes per share, and the Super Voting Shares are entitled to 200 votes per share. As a result, the holders of the Super Voting Shares have the ability to control the outcome of all matters submitted to our shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of our assets.

This concentrated control could delay, defer, or prevent our entering into a change of control transaction or a sale of all or substantially all of our assets that our other shareholders support. Conversely, this concentrated control could allow the holders of the Super Voting Shares to consummate such a transaction that our other shareholders do not support.

***The demand for our securities may be impacted by our capital structure and the fact that the holders of our Super Voting Shares control the outcome of all votes by our shareholders.***

Although other Canadian-based companies have dual class or multiple voting share structures, our capital structure and the concentration of voting control held by the holders of our Multiple Voting Shares and Super Voting Shares could result in a lower trading price for, or greater fluctuations in, the trading price of the Subordinate Voting Shares. Additionally, certain institutional investors and other market participants may view our capital structure as problematic or not representing good governance practices, which could affect market demand for the Subordinate Voting Shares.

***Sales of substantial amounts of Subordinate Voting Shares could negatively impact the market price of the Subordinate Voting Shares.***

Sales of substantial amounts of Subordinate Voting Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Subordinate Voting Shares. A decline in the market prices of the Subordinate Voting Shares could impair our ability to raise additional capital through the sale of securities.

***The market price for the Subordinate Voting Shares has been and is likely to continue to be volatile.***

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond our control, including, but not limited to, the following: (i) actual or anticipated fluctuations in our quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the cannabis industry; (iv) additions or departures of our executive officers and other key personnel; (v) release or expiration of transfer restrictions on our issued and outstanding shares; (vi) regulatory changes affecting the cannabis industry generally and our business and operations; (vii) announcements by us and our competitors of developments and other material events; (viii) fluctuations in the costs of vital production materials and services; (ix) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (x) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; (xi) operating and share price performance of other companies that investors deem comparable to us or from a lack of market comparable companies; (xii) false or negative reports issued by individuals or companies who have taken aggressive short sale positions; and (xiii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of those companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if our operating results, underlying asset values or prospects have not changed.

These factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted, and the trading price of the Subordinate Voting Shares may be materially adversely affected.

***There may not be sufficient liquidity in the markets for our Subordinate Voting Shares.***

Our Subordinate Voting Shares are listed for trading on the CSE under the trading symbol “TRUL” and on the OTCQX Best Market under the symbol “TCNNF.” The liquidity of any market for the shares of our Subordinate Voting Shares will depend on a number of factors, including:

- the number of stockholders;
- our operating performance and financial condition;
- the market for similar securities;
- the extent of coverage by securities or industry analysts; and
- the interest of securities dealers in making a market in the shares.

***We will be subject to increased costs as a result of being a U.S. reporting company.***

As a public issuer, we are subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which our securities may be listed from time to time. In addition, we will become subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its

personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

***We are an "emerging growth company," and will be able take advantage of reduced disclosure requirements applicable to emerging growth companies, which could make our Subordinate Voting Shares less attractive to investors.***

We are an "emerging growth company," as defined in the JOBS Act and, for as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three year period.

We intend to take advantage of these reporting exemptions described above until we are no longer an emerging growth company. Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We cannot predict if investors will find our Subordinate Voting Shares less attractive if we choose to rely on these exemptions. If some investors find our Subordinate Voting Shares less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our Subordinate Voting Shares and the price of our Subordinate Voting Shares may be more volatile.