THESE FINANCIAL STATEMENTS FOR TRULIEVE CANNABIS CORP.

ARE ALSO INCLUDED IN THE FORM 10-Q FOR THE

QUARTER ENDED SEPTEMBER 30, 2021

FILED ON SEDAR ON NOVEMBER 15, 2021 IN ITS ENTIRETY

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Trulieve Cannabis Corp.
Unaudited Interim Condensed Consolidated Balance Sheets
(dollars in thousands)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 213,574	$ 146,713
Accounts receivable, net	8,487	308
Inventories, net	133,874	98,312
Income tax receivable, net	3,978	—
Prepaid expenses and other current assets	25,791	16,119
Total current assets	385,704	261,452
Property and equipment, net	501,109	314,045
Right of use assets - operating, net	45,753	30,076
Right of use assets - finance, net	58,393	36,904
Intangible assets, net	161,282	93,800
Goodwill	111,721	74,100
Other assets	12,077	7,528
TOTAL ASSETS	$ 1,276,039	$ 817,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 62,769	$ 41,903
Income tax payable	—	5,875
Deferred revenue	4,082	7,178
Notes payable - current portion	6,000	2,000
Notes payable - related party - current portion	12,000	12,011
Operating lease liabilities - current portion	4,264	3,277
Finance lease liabilities - current portion	5,354	3,877
Total current liabilities	94,469	76,121
Long-term liabilities:		
Notes payable	—	4,000
Operating lease liabilities	43,657	28,120
Finance lease liabilities	57,234	35,058
Private placement notes liabilities, net	119,478	117,165
Other long-term liabilities	6,438	3,915
Construction finance liabilities	92,021	82,047
Deferred tax liability	40,099	23,575
TOTAL LIABILITIES	453,396	370,001
Commitments and contingencies (see Note 17)		
Common stock, no par value; unlimited shares authorized, 129,531,207 and 119,573,998 issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	—	—
Additional paid-in-capital	613,379	328,214
Accumulated earnings	209,264	119,690
TOTAL SHAREHOLDERS' EQUITY	822,643	447,904
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,276,039	$ 817,905

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

Trulieve Cannabis Corp.
Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Income
(dollars in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenues, net of discounts	$ 224,092	$ 136,274	$ 633,037	$ 353,096
Cost of goods sold	70,147	34,097	199,345	86,557
Gross profit	153,945	102,177	433,692	266,539
Expenses:				
Sales and marketing	51,724	30,890	142,858	80,764
General and administrative	28,218	8,502	55,869	22,696
Depreciation and amortization	7,728	3,314	19,829	8,612
Total expenses	87,670	42,706	218,556	112,072
Income from operations	66,275	59,471	215,136	154,467
Other income (expense):				
Interest expense, net	(6,145)	(5,352)	(20,693)	(16,566)
Other (expense) income, net	89	(10,756)	385	(10,827)
Total other expense	(6,056)	(16,108)	(20,308)	(27,393)
Income before provision for income taxes	60,219	43,363	194,828	127,074
Provision for income taxes	41,603	25,948	105,254	67,116
Net income and comprehensive income	18,616	17,415	89,574	59,958
Basic net income per common share	$ 0.15	$ 0.16	$ 0.73	$ 0.54
Diluted net income per common share	$ 0.14	$ 0.15	$ 0.68	$ 0.52
Weighted average number of common shares used in computing net income per common share:				
Basic	128,146,298	112,039,640	122,983,729	111,824,816
Diluted	136,909,266	117,949,224	130,927,083	115,998,704

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

Trulieve Cannabis Corp.
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(dollars in thousands, except per share data)

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Earnings	Total
Balance, January 1, 2021	58,182,500	1,439,037	59,952,461	119,573,998	$ 328,214	$ 119,690	$ 447,904
Share-based compensation	—	—	—	—	741	—	741
Shares issued for cash - warrant exercise	—	—	469,133	469,133	6,861	—	6,861
Conversion of warrants to Subordinate Voting Shares	—	—	133,408	133,408	—	—	—
Conversion of Multiple Voting to Subordinate Voting Shares	—	(117,668)	117,668	—	—	—	—
Conversion of Super Voting to Subordinate Voting Shares	(3,021,100)	—	3,021,100	—	—	—	—
Conversion of Super Voting to Multiple Voting Shares	(55,161,400)	55,161,400	—	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	30,078	30,078
Balance, March 31, 2021	—	56,482,769	63,693,770	120,176,539	$ 335,816	$ 149,768	$ 485,584
Share-based compensation	—	—	—	—	744	—	744
Shares issued for cash - warrant exercise	—	—	100,400	100,400	811	—	811
Common stock issued upon cashless warrant exercise	—	—	661,614	661,614	—	—	—
Tax withholding related to net share settlement of equity awards	—	—	(15,734)	(15,734)	(595)	—	(595)
Issuance of shares in offering, net of issuance costs	—	—	5,750,000	5,750,000	217,896	—	217,896
Contingent consideration payable in shares	—	—	—	—	(2,800)	—	(2,800)
Adjustment of fair value of equity consideration for PurePenn, LLC	—	—	—	—	2,711	—	2,711
Adjustment of fair value of equity consideration for Keystone Relief Centers, LLC	—	—	—	—	1,004	—	1,004
Shares issued for Mountaineer Holding, LLC acquisition	—	—	60,342	60,342	2,470	—	2,470
Shares issued for Solevo Wellness West Virginia, LLC acquisition	—	—	11,658	11,658	445	—	445
Shares issued for Nature's Remedy of Massachusetts, Inc. acquisition	—	—	237,881	237,881	9,140	—	9,140
Conversion of Multiple Voting to Subordinate Voting shares	—	(21,673)	21,673	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	40,880	40,880
Balance, June 30, 2021	—	56,461,096	70,521,604	126,982,700	$ 567,642	$ 190,648	$ 758,290
Share-based compensation	—	—	—	—	732	—	732
Exercise of Stock Options	—	—	20,974	20,974	—	—	—
Common stock issued upon cashless warrant exercise	—	—	1,280,965	1,280,965	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(21,151)	(21,151)	(392)	—	(392)
Shares issued for the Patient Centric of Martha's Vineyard acquisition	—	—	258,383	258,383	10,012	—	10,012
Shares issued for Keystone Shops acquisition	—	—	1,009,336	1,009,336	35,385	—	35,385
Conversion of Multiple Voting to Subordinate Voting Shares	—	(1,541,500)	1,541,500	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	18,616	18,616
Balance, September 30, 2021	—	54,919,596	74,611,611	129,531,207	$ 613,379	$ 209,264	$ 822,643

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

Trulieve Cannabis Corp.
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(dollars in thousands, except per share data)

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Earnings	Total
Balance, January 1, 2020	67,813,300	6,661,374	35,871,672	110,346,346	$ 76,192	$ 56,691	$ 132,883
Share-based compensation	—	—	—	—	1,222	—	1,222
Net income and comprehensive income	—	—	—	—	—	23,605	23,605
Balance, March 31, 2020	67,813,300	6,661,374	35,871,672	110,346,346	$ 77,414	$ 80,296	$ 157,710
Share-based compensation	—	—	—	—	462	—	462
Shares issued for cash - warrant exercise	—	—	2,723,311	2,723,311	11,458	—	11,458
Net income and comprehensive income	—	—	—	—	—	18,938	18,938
Balance, June 30, 2020	67,813,300	6,661,374	38,594,983	113,069,657	$ 89,334	$ 99,234	$ 188,568
Share-based compensation	—	—	—	—	523	—	523
Shares issued for cash - warrant exercise	—	—	100	100	1	—	1
Exercise of Stock Options	—	—	9,180	9,180	—	—	—
Issuance of shares private placement, net of issuance costs	—	—	4,715,000	4,715,000	83,228	—	83,228
Conversion of Super Voting Shares to Subordinate Voting Shares	(9,630,800)	—	9,630,800	—	—	—	—
Conversion of Multiple Voting Shares to Subordinate Voting Shares	—	(5,184,415)	5,184,415	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	17,415	17,415
Balance, September 30, 2020	58,182,500	1,476,959	58,134,478	117,793,937	$ 173,086	$ 116,649	$ 289,735

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

Trulieve Cannabis Corp.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(dollars in thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flow from operating activities		
Net income and comprehensive income	$ 89,574	$ 59,958
Adjustments to reconcile net income and comprehensive income to net cash provided by operating activities:		
Depreciation and amortization	19,829	8,612
Depreciation included in cost of goods sold	14,396	7,424
Non-cash interest expense	2,313	2,142
(Gain) loss from sale of property and equipment	(5)	63
Amortization of operating lease right of use assets	3,216	2,383
Share-based compensation	2,217	2,208
Accretion of construction finance liabilities	1,097	617
Loss on fair value of warrants	—	12,782
Deferred income tax expense	(2,111)	(2,324)
Changes in operating assets and liabilities:		
Inventories	(33,796)	(11,687)
Accounts receivable	(8,179)	—
Prepaid expenses and other current assets	(9,412)	(6,915)
Other assets	(4,509)	(5,790)
Income tax payable / receivable	(12,745)	1,911
Accounts payable and accrued liabilities	17,853	1,303
Operating lease liabilities	(1,906)	(2,054)
Deferred revenue	(3,096)	2,207
Other long-term liabilities	344	—
Net cash provided by operating activities	75,080	72,840
Cash flow from investing activities		
Purchases of property and equipment	(190,907)	(61,359)
Purchases of property and equipment related to construction finance liabilities	(8,877)	(27,381)
Cash paid for internal use software	(3,587)	—
Acquisitions, net of cash acquired	(29,924)	—
Proceeds from sale of property and equipment	8	16
Capitalized interest	(4,355)	(2,090)
Net cash used in investing activities	(237,642)	(90,814)
Cash flow from financing activities		
Proceeds from share warrant exercises	7,672	11,459
Proceeds from construction finance liabilities	8,877	28,582
Proceeds from shares issued pursuant to private placement	217,896	83,228
Payments on finance lease obligations	(4,024)	(2,824)
Payments on notes payable - related party	(11)	(907)
Payments for taxes related to net share settlement of equity awards	(987)	—
Net cash provided by financing activities	229,423	119,538
Net increase in cash and cash equivalents	66,861	101,564
Cash and cash equivalents, beginning of period	146,713	91,813
Cash and cash equivalents, end of period	$ 213,574	$ 193,377
Supplemental disclosure of cash flow information		
Cash paid during the period for		
Interest	$ 22,653	$ 12,798
Income taxes	$ 120,365	$ 70,996
Other noncash investing and financing activities		
Adjustment to PurePenn, LLC and Solevo contingent consideration	$ 2,800	$ —
ASC 842 lease additions - operating and finance leases	$ 43,748	$ 23,096
Shares issued for acquisitions	$ 57,452	$ —
Purchase of property and equipment financed with accounts payable	$ 16,148	$ 7,167

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

NOTE 1. THE COMPANY

Trulieve Cannabis Corp. (together with its subsidiaries, "Trulieve" or the "Company") was incorporated in British Columbia, Canada. Trulieve (through its wholly-owned subsidiaries) is a vertically integrated cannabis company which, as of September 30, 2021, held licenses to operate in Florida, Massachusetts, California, Connecticut, Pennsylvania and West Virginia, to cultivate, produce, and sell medicinal-use cannabis products and, with respect to California and Massachusetts, adult-use cannabis products, and received notice of intent to award a license in Georgia. As disclosed in Note 18 below, on October 1, 2021, the Company completed its previously announced acquisition of Harvest Health & Recreation Inc. ("Harvest") and, as a result of the acquisition, the Company's operations have expanded into additional states effective as of such date. All revenues are generated in the United States, and all long-lived assets are located in the United States. As of September 30, 2021, the majority of our revenue was generated from the sale of medical cannabis products in the State of Florida and in the Commonwealth of Pennsylvania. To date, neither the sale of adult-use cannabis products, nor our operations in Massachusetts, California, Connecticut, or West Virginia, have been material to our business.

In July 2018, Trulieve, Inc. entered into a non-binding letter agreement ("Letter Agreement") with Schyan Exploration Inc. ("Schyan") whereby Trulieve, Inc. and Schyan have agreed to merge their respective businesses resulting in a reverse takeover of Schyan by Trulieve, Inc. and change the business of Schyan from a mining issuer to a marijuana issuer (the "Transaction"). The Transaction was completed in August 2018 and Schyan changed its name to Trulieve Cannabis Corp.

The Company's head office is located Tallahassee, Florida. The Company's registered office is located in British Columbia.

The Company is listed on the Canadian Securities Exchange (the "CSE") and began trading on September 24, 2018 under the ticker symbol "TRUL", and trades on the OTCQX market under the symbol "TCNNF".

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP" or "GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC").

The accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, comprehensive income, statement of shareholders' equity, and cash flows of the Company for the interim periods presented. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the current year ending December 31, 2021. The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the years ended December 31, 2020 and 2019 ("2020 audited consolidated financial statements").

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC and the instructions to Form 10-Q.

Revision of Previously Issued Financial Statements

During the quarter ended September 30, 2021, the Company identified an error in its accounting for leases which was due to the lack of a complete lease population and the conclusions reached for the commencement date for leases not aligning with the possession date of the associated right of use asset. This resulted in an understatement of the associated right of use assets and the associated lease liabilities. The Company also identified a misstatement related to the accounting for asset acquisitions that were consummated during the three months ended June 30, 2021, which was due to the Company initially valuing the equity consideration transferred using the contract value whereas the fair value as of the closing date should have been used. This resulted in an understatement of intangible assets, an understatement of the associated deferred tax liabilities and an understatement of additional paid-in-capital. Additionally, the Company identified assets not likely to be converted within a year were classified as prepaid and other current assets, rather than other assets. The Company evaluated the misstatements and concluded that the misstatements were not material, either individually or in the aggregate, to its current or previously issued consolidated financial statements.

To correct the immaterial misstatements, during the quarter ended September 30, 2021, the Company elected to revise its previously issued interim unaudited condensed consolidated balance sheet as of June 30, 2021 and March 31, 2021 as well as the previously issued 2020 condensed consolidated balance sheet. The revision of the historical interim unaudited condensed consolidated balance sheet includes the correction of these immaterial misstatements as well as other previously identified balance sheet misclassifications. Accordingly, the accompanying interim unaudited condensed consolidated balance sheet and relevant footnotes in this Quarterly Report on Form 10-Q as well as the 2020 condensed consolidated balance sheet have been revised to correct for such immaterial misstatements. The Company will present the revision of its previously issued interim unaudited condensed consolidated balance sheet as of March 31, 2021 and June 30, 2021, in connection with the future filing of its Quarterly Reports on Form 10-Q. The impact of the lease entries recorded as of June 30, 2021.

The impact of the revision on the Company's interim unaudited condensed consolidated balance sheet as of June 30, 2021 is reflected in the following table:

Balance Sheet as of June 30, 2021 (unaudited)	**As Previously Reported**	**Adjustment**	**As Revised**
Prepaid expenses and other current assets	$ 28,313	$ (4,249)	$ 24,064
Total current assets	442,090	(4,249)	437,841
Property and equipment, net	427,666	258	427,924
Right of use assets - operating, net	31,254	8,768	40,022
Right of use assets - finance, net	41,521	6,371	47,892
Intangible assets, net	123,106	(621)	122,485
Other assets	9,547	4,246	13,793
Total assets	1,146,307	14,773	1,161,080
Operating lease liabilities, current portion	3,583	432	4,015
Finance lease liabilities, current portion	4,723	281	5,004
Total current liabilities	76,738	713	77,451
Operating lease liabilities	29,381	8,396	37,777
Finance lease liabilities	39,694	5,822	45,516
Deferred tax liability	29,845	(2,213)	27,632
Total liabilities	390,072	12,718	402,790
Additional paid-in-capital	522,898	2,055	524,953
Total shareholders equity	$ 756,235	$ 2,055	$ 758,290

Balance Sheet as of March 31, 2021 (unaudited)	**As Previously Reported**	**Adjustment**	**As Revised**
Prepaid expenses and other current assets	$ 25,180	$ (3,728)	$ 21,452
Total current assets	294,157	(3,728)	290,429
Right of use assets - operating, net	30,051	2,830	32,881
Right of use assets - finance, net	38,380	1,838	40,218
Other assets	7,549	3,693	11,242
Total assets	897,455	4,633	902,088
Operating lease liabilities, current portion	3,324	173	3,497
Finance lease liabilities, current portion	4,344	70	4,414
Total current liabilities	100,900	243	101,143
Operating lease liabilities	28,326	2,581	30,907
Finance lease liabilities	36,294	1,809	38,103
Total liabilities	$ 411,871	$ 4,633	$ 416,504

Balance Sheet as of December 31, 2020	As Previously Reported	Adjustment	As Revised
Prepaid expenses and other current assets	$ 19,815	$ (3,696)	$ 16,119
Total current assets	265,148	(3,696)	261,452
Right of use assets - operating, net	28,171	1,905	30,076
Other assets	3,944	3,584	7,528
Total assets	816,112	1,793	817,905
Operating lease liabilities, current portion	3,154	123	3,277
Total current liabilities	75,998	123	76,121
Operating lease liabilities	26,450	1,670	28,120
Total liabilities	$ 368,208	$ 1,793	$ 370,001

The Company recorded operating lease expense, depreciation, and interest expense totaling $0.3 million in the income statement for the three months ended September 30, 2021 that related to these expenses from prior periods. This had an immaterial impact on the period recorded and the prior periods and is correctly reflected for the nine months ended September 30, 2021.

Significant Accounting Policies

The Company's significant accounting policies are described in Note 2 to the Company's consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with this Securities and Exchange Commission, or SEC, on March 23, 2021 (the "2020 Form 10-K"). There have been no material changes to the Company's significant accounting policies, except for the adoption of ASU 2019-12 as explained below.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 on January 1, 2021. The adoption did not have a material impact on the Company's consolidated financial statements.

COVID-19 Pandemic

The global outbreak of the novel strain of the coronavirus known as COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. In response to the outbreak, governmental authorities in the United States, Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. Management has been closely monitoring the continuing impact of COVID-19, with a focus in the health and safety of the Company's employees, business continuity and supporting its communities. The Company has enacted various measures to reduce the spread of the virus, including implementing social distancing at its cultivation facilities and dispensaries, enhancing cleaning protocols at such facilities and dispensaries and encouraging employees to adhere to preventative measures recommended by local, state, and federal health officials. The Company incurred expenses related to enhanced cleaning protocols, personal protective equipment and COVID-19 related paid leave for employees.

NOTE 3. ACQUISITIONS

(a) Keystone Shops

On July 8, 2021, the Company acquired 100% of the membership interests of Anna Holdings, LLC, the sole member of Chamounix Ventures, LLC which holds a permit to operate dispensaries under Keystone Shops ("Keystone Shops") with locations in Philadelphia, Devon and King of Prussia, Pennsylvania. Total consideration was $55.6 million consisting of $20.3 million in cash, inclusive of net working capital adjustments, and 1,009,336 in Trulieve Subordinate Voting Shares ("Trulieve Shares") with a fair value of $35.4 million. The agreement provides for an additional $5.0 million in consideration which is contingent on the enactment, adoption or approval of laws allowing for adult-use cannabis in the Commonwealth of Pennsylvania. No liability has been recorded for this contingent consideration, as it was not estimated to be probable at the time of acquisition. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of production, therefore goodwill is not deductible.

(dollars in thousands)		
Consideration:		
Cash	$	20,251
Shares issued upon acquisition		35,385
Fair value of consideration exchanged	$	55,636
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	500
Inventories		1,766
Prepaid expenses and other current assets		240
Property and equipment		1,144
Right of use asset - finance		1,340
Intangible assets		
Dispensary license		27,000
Tradename		100
Favorable leasehold interests, net		86
Goodwill		40,072
Other assets		40
Accounts payable and accrued liabilities		(878)
Income tax payable		(2,892)
Operating lease liabilities		(1,340)
Other long-term liabilities		(2,179)
Deferred tax liability		(9,363)
Total net assets acquired	$	55,636

The acquired intangible assets include a dispensary license which is treated as a definite-lived intangible asset amortized over a 15-year useful life, as well as tradename and net favorable leasehold interests which were fully amortized in the period of acquisition due to useful life and materiality considerations.

(b) Patient Centric of Martha's Vineyard

On July 2, 2021, the Company acquired certain assets of Patient Centric of Martha's Vineyard ("PCMV") including the rights to a Provisional Marijuana Retailers License from the Massachusetts Cannabis Control Commission, the right to exercise an option held by PCMV to lease real property in Framingham, Massachusetts for use as a marijuana retailer, and necessary municipal entitlements to operate as a marijuana retailer at the property. Total consideration was 258,383 in Trulieve Shares, of which 10,879 are subject to a holdback for six months as security for any indemnity claims by the Company under the asset purchase agreement. The fair value of the equity exchange was $10.0 million. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* determining PCMV did not meet the definition of a business as PCMV did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the acquisition of PCMV has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are assigned a carrying amount based on relative fair values.

(dollars in thousands)		
Consideration:		
Shares issued upon acquisition	$	10,012
Transaction costs		18
Fair value of consideration exchanged	$	10,030
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Right of use asset - finance	$	1,756
Intangible assets		
Dispensary license		13,298
Finance lease liabilities		(2,321)
Deferred tax liability		(2,703)
Total net assets acquired	$	10,030

The acquired intangible asset is represented by the adult-use license and is treated as a definite-lived intangible asset amortized over a 15-year useful life.

(c) Nature's Remedy of Massachusetts, Inc.

On June 30, 2021, the Company completed an asset purchase agreement whereby Trulieve acquired a licensed, but not yet operating, adult-use dispensary location from Nature's Remedy of Massachusetts, Inc. ("Nature's Remedy"). The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* determining Nature's Remedy did not meet the definition of a business as Nature's Remedy did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the acquisition of Nature's Remedy has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are assigned a carrying amount based on relative fair values. During the third quarter of 2021, the Company recorded an adjustment of $2.6 million increasing the cost of the acquisition due to an adjustment to the fair value of the equity consideration and updated the purchase price allocation accordingly, which updated equity consideration from contract value to fair value as of the closing date, and also updated the associated deferred tax liability. This adjustment resulted in an updated total consideration of $16.2 million consisting of $7.0 million in cash and 237,881 in Trulieve Shares with an updated fair value of $9.1

million and less than $0.1 million in transaction costs. Refer to "*Note 2. Basis of Presentation*" under "*Revisions of Previously Issued Financial Statements*" above for additional details. The adjusted net assets acquired are as follows:

(dollars in thousands)		
Consideration:		
Cash	$	7,000
Shares issued upon acquisition		9,139
Transaction costs		23
Fair value of consideration exchanged	$	16,162
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Prepaid expenses and other current assets	$	12
Property and equipment		1,006
Right of use asset - finance		799
Intangible assets		
Dispensary license		19,630
Accounts payable and accrued liabilities		(335)
Finance lease liability		(594)
Deferred tax liability		(4,356)
Total net assets acquired	$	16,162

The acquired intangible asset is represented by the adult-use license and is treated as a definite-lived intangible asset amortized over a 15-year useful life.

(d) Solevo Wellness West Virginia, LLC

On June 8, 2021, the Company acquired 100% of the membership interests of Solevo Wellness West Virginia, LLC ("Solevo WV") which holds three West Virginia dispensary licenses. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* determining Solevo WV did not meet the definition of a business as substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset. Therefore, the transaction has been accounted for as an asset acquisition. During the third quarter of 2021, the Company recorded an adjustment of $0.1 million decreasing the cost of the acquisition due to an adjustment to the fair value of the equity consideration, which updated equity consideration originally recorded at contract value to fair value as of the closing date, and also updated the associated deferred tax liability. This adjustment resulted in an updated total consideration of $0.8 million consisting of $0.2 million in cash, 11,658 in Trulieve Shares with an updated fair value of $0.4 million, $0.1 million in debt forgiveness and less than $0.1 million in transaction costs. The consideration of $0.8 million was allocated to acquired assets of $1.0 million, which are treated as definite-lived intangible assets amortized over a 15-year useful life, offset by a related deferred tax liability of $0.2 million. Refer to "*Note 2. Basis of Presentation*" under "*Revisions of Previously Issued Financial Statements*" above for additional details.

(e) Mountaineer Holding, LLC

On May 6, 2021, the Company acquired 100% of the membership interests of Mountaineer Holding LLC ("Mountaineer") which holds a cultivation permit and two dispensary permits in West Virginia. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* determining Mountaineer did not meet the definition of a business as substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset. Therefore, the transaction has been accounted for as an asset acquisition. During the third quarter of 2021, the Company recorded an adjustment of $0.5 million decreasing the cost of the acquisition due to an adjustment to the fair value of the equity consideration, which updated equity consideration originally recorded at contract value to fair value as of the closing date, and also updated the associated deferred tax liability. This adjustment resulted in an updated total consideration of $5.5 million, consisting of $3.0 million in cash and 60,342 in Trulieve Shares with a fair value of $2.5 million. The consideration of $5.5 million has been allocated to the $7.0 million of acquired assets which are treated as definite-lived intangible assets amortized over a 15-year useful life, offset by a related deferred tax liability of $1.5 million. Refer to "*Note 2. Basis of Presentation*" under "*Revisions of Previously Issued Financial Statements*" above for additional details.

(f) PurePenn, LLC and Pioneer Leasing & Consulting, LLC

On November 12, 2020, the Company acquired 100% of the membership interests of both PurePenn, LLC, which holds a permit to cultivate and process medical marijuana in Pennsylvania, and Pioneer Leasing & Consulting, LLC (collectively "PurePenn"). The purpose of this acquisition was to operate the cultivation and manufacturing facility located in McKeesport, Pennsylvania. Trulieve acquired PurePenn for an upfront payment valued at $48.7 million, comprised of 1,298,964 in Trulieve Shares with a fair value of $29.7 million and $19.0 million in cash, plus a potential earn-out payment of up to 2,405,488 Trulieve Shares based on the achievement of certain agreed upon EBITDA milestones. The earn-out period is through the end of 2021. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. As of September 30, 2021, total transaction costs related to the acquisition were approximately $1.8 million. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of production, therefore goodwill is not deductible.

For the three months ended June 30, 2021, the Company recorded an adjustment to the initial valuation of shares issued upon acquisition, which increased the fair value of the consideration exchanged and the estimated purchase price by $2.7 million and increased goodwill by $2.7 million and we recorded an adjustment to the initial valuation of contingent consideration payable in shares, which reduced contingent consideration payable in shares and the estimated purchase price by $3.0 million and decreased goodwill by $3.0 million. For the three months ended September 30, 2021, the Company recorded an adjustment to the deferred tax liability decreasing goodwill and the associated deferred tax liability by $0.6 million.

The following table summarizes the allocation of consideration exchanged for the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

(dollars in thousands)		
Consideration:		
Cash	$	19,000
Shares issued upon acquisition		29,711
Contingent consideration payable in shares		46,951
Fair value of consideration exchanged	$	95,662
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	563
Accounts receivable		1,300
Prepaid expenses and other current assets		376
Inventories		7,461
Property and equipment, net		26,233
Intangible assets, net:		
State license		45,310
Moxie license		2,960
Tradename		580
Goodwill		46,349
Other assets		478
Accounts payable and accrued liabilities		(2,189)
Construction finance liability		(17,413)
Deferred tax liability		(16,346)
Total net assets acquired	$	95,662

(g) Keystone Relief Centers, LLC

On November 12, 2020, the Company acquired 100% of the membership interests of Keystone Relief Centers, LLC (referred to herein as "Solevo Wellness"), which holds a permit to operate three medical marijuana dispensaries in the Pittsburgh, Pennsylvania area. Trulieve acquired Solevo for an upfront purchase price of $21.0 million, comprised of $10.0 million in cash and 481,097 in Trulieve Shares with a fair value of $11.0 million, plus a potential earn-out payment of up to 721,647 Trulieve Shares based on the achievement of certain agreed upon EBITDA milestones. The earn-out period is through the end of 2021. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. As of September 30, 2021, total transaction costs related to the acquisition were approximately $0.9 million. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of production, therefore goodwill is not deductible.

During 2021, the purchase price allocations were adjusted, primarily to net working capital, goodwill and intangible assets. For the three months ended March 31, 2021, we recorded an adjustment of $3.8 million to the initial valuation amount of intangible assets for the dispensary license, increasing the dispensary license balance by $3.8 million and decreasing goodwill by $3.8 million. For the three months ended June 30, 2021, we recorded an adjustment to the initial valuation of shares issued upon issuance, which increased the fair value of the consideration exchanged by $1.0 million and increased goodwill by $1.0 million, and we recorded an adjustment to the initial valuation of contingent consideration payable in shares, which increased contingent consideration payable in shares and the estimated purchase price by $0.2 million and increased goodwill by $0.2 million. For the three months ended September 30, 2021, the Company recorded an adjustment to the deferred tax liability increasing goodwill and the associated deferred tax liability by $1.2 million.

The following table summarizes the final allocation of consideration exchanged for the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

(dollars in thousands)		
Consideration:		
Cash	$	10,000
Shares issued upon acquisition		11,004
Contingent consideration payable in shares		15,249
Net working capital adjustment		624
Fair value of consideration exchanged	$	36,877
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	1,229
Accounts receivable		117
Prepaid expenses and other current assets		91
Inventories		2,337
Property and equipment, net		2,245
Right of use asset		2,156
Intangible assets, net:		
Dispensary license		19,890
Tradename		930
Goodwill		17,985
Accounts payable and accrued liabilities		(790)
Lease liability		(2,156)
Deferred tax liability		(7,157)
Total net assets acquired	$	36,877

NOTE 4. INVENTORY

The Company's inventory includes the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Raw material		
Cannabis plants	$ 19,419	$ 10,661
Harvested cannabis and packaging	23,529	11,233
Total raw material	42,948	21,894
Work in process	63,952	54,780
Finished goods-unmedicated	3,473	3,908
Finished goods-medicated	23,501	17,730
Total inventories	$ 133,874	$ 98,312

NOTE 5. PROPERTY & EQUIPMENT

At September 30, 2021 and December 31, 2020, Property and Equipment consisted of the following:

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Land	$ 7,468	$ 5,878
Buildings and improvements	288,133	156,372
Construction in progress	162,528	129,588
Furniture and equipment	93,485	51,714
Vehicles	349	351
Total	551,963	343,903
Less: accumulated depreciation	(50,854)	(29,858)
Total property and equipment, net	$ 501,109	$ 314,045

Capitalized interest for the three and nine months ended September 30, 2021 totaled $2.2 million and $4.4 million, respectively. Capitalized interest for the three and nine months ended September 30, 2020 totaled $1.3 million and $2.1 million, respectively.

Depreciation expense for the three and nine months ended September 30, 2021 totaled $8.1 million and $21.0 million, respectively. Depreciation expense for the three and nine months ended September 30, 2020 totaled $3.9 million and $10.7 million respectively.

Certain prior period amounts have been reclassified to conform to the current period presentation. Internal use software with a net book value of $3.7 million was reclassified from "Property and equipment, net" to "Intangible assets, net" in the consolidated balance sheet as of December 31, 2020. Property and equipment with a net book value of $50.0 million was reclassified from construction in progress to land, buildings and improvements, and furniture and equipment of December 31.

NOTE 6. INTANGIBLE ASSETS & GOODWILL

At September 30, 2021 and December 31, 2020, definite-lived intangible assets consisted of the following:

	September 30, 2021				
(dollars in thousands)	Net amount	Adjustments to purchase price allocation	Additions	Amortization expense	Net amount
Licenses	$ 84,517	$ 3,061	$ 68,493	$ (5,593)	$ 150,478
Internal use software	3,656	—	3,589	(529)	6,716
Moxie brand	2,828	—	—	(740)	2,088
Tradenames	2,109	—	100	(741)	1,468
Customer relationship	683	—	—	(151)	532
Miscellaneous	7	—	86	(93)	—
	$ 93,800	$ 3,061	$ 72,268	$ (7,847)	$ 161,282

	December 31, 2020				
(dollars in thousands)	Net amount	Acquired license agreements	Additions	Amortization expense	Net amount
Licenses	$ 24,538	$ 887	$ 61,400	$ (2,308)	$ 84,517
Internal use software	3,656	—	—	—	3,656
Moxie brand	—	—	2,960	(132)	2,828
Tradenames	800	—	1,510	(201)	2,109
Customer relationship	883	—	—	(200)	683
Miscellaneous	25	—	—	(18)	7
Trademarks	134	—	—	(134)	—
	$ 30,036	$ 887	$ 65,870	$ (2,993)	$ 93,800

Amortization expense for the three and nine months ended September 30, 2021 was $3.3 million and $7.8 million, respectively. Amortization expense for the three and nine months ended September 30, 2020 was $0.5 million and $1.7 million, respectively.

The following table outlines the estimated future annual amortization expense related to all intangible assets as of September 30, 2021:

	Estimated amortization
	(dollars in thousands)
Remaining 2021	$ 3,326
2022	13,887
2023	13,320
2024	12,349
2025	11,895
Thereafter	106,505
	$ 161,282

Goodwill arose from the acquisition of PurePenn, LLC, Pioneer Leasing & Consulting, Solevo Wellness, and Keystone Shops, see *"Note 3 - Acquisitions"*. The Company last tested for impairment in the fourth quarter of the year ended December 31, 2020.

At September 30, 2021, Goodwill consisted of the following:

(dollars in thousands)	
At January 1, 2020	**7,316**
Acquisition of PurePenn, LLC and Pioneer Leasing & Consulting, LLC	47,311
Acquisition of Solevo Wellness	19,473
At December 31, 2020	**74,100**
Measurement period purchase price allocation adjustments of Solevo Wellness	(2,639)
Measurement period purchase price allocation adjustments of PurePenn, LLC and Pioneer Leasing & Consulting, LLC	(338)
At June 30, 2021	**71,123**
Acquisition of Keystone Shops	40,072
Measurement period purchase price allocation adjustments of Solevo Wellness	1,150
Measurement period purchase price allocation adjustments of PurePenn, LLC and Pioneer Leasing & Consulting, LLC	(624)
At September 30, 2021	**$ 111,721**

NOTE 7. NOTES PAYABLE

At September 30, 2021 and December 31, 2020, notes payable consisted of the following:

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Promissory note dated April 10, 2017, with annual interest at 12%, due between April and July 2022	$ 4,000	$ 4,000
Promissory note dated December 7, 2017, with annual interest at 12%, secured by certain property located in Miami, FL due December 2021	2,000	2,000
Total notes payable	6,000	6,000
Less current portion	(6,000)	(2,000)
Long-term notes payable	$ —	$ 4,000

Stated maturities of notes payable are as follows:

As of September 30,		*(dollars in thousands)*
2021	$	2,000
2022		4,000
	$	6,000

All notes payable were fully paid off during the fourth quarter of 2021.

NOTE 8. NOTES PAYABLE RELATED PARTY

At September 30, 2021 and December 31, 2020, notes payable related party consisted of the following:

	September 30, 2021		**December 31, 2020**	
	(dollars in thousands)			
Notes payable due to related parties, with varying interest rates between 8% to 12% annual, with varying maturity dates	$	12,000	$	12,011
Less current portion		(12,000)		(12,011)
Non-current portion	$	—	$	—

Stated maturities of notes payable to related parties are as follows:

		(dollars in thousands)
2022	$	12,000
	$	12,000

In March 2021, the two unsecured promissory notes (the “Traunch Four Note” and the “Rivers Note”) were amended to extend the maturity one year to May 2022, all other terms remain unchanged. In the fourth quarter of 2021, the unsecured promissory notes were fully paid.

NOTE 9. PRIVATE PLACEMENT NOTES

In 2019, the Company completed two private placement arrangements (the “June Notes” and the “November Notes”), each comprised of 5-year senior secured promissory notes with a face value of $70.0 million and $60.0 million, respectively. Both notes accrue interest at an annual rate of 9.75%, payable semi-annually, in equal installments, in arrears on June 18 and December 18 of each year. The purchasers of the June Notes received warrants to purchase 1,470,000 Subordinate Voting Shares and the purchasers of the November Notes received warrants to purchase 1,560,000 Subordinate Voting Shares, which can be exercised for three years after closing.

The fair value of the June Notes was determined to be $63.9 million using an interest rate of 13.32% which the Company estimates would have been the coupon rate required to issue the June Notes had the financing not included the June Warrants. The fair value of the June Warrants was determined to be $4.7 million using the Black-Scholes option pricing model and the following assumptions: share price: C$14.48; exercise price: C$17.25; expected life: 3 years; annualized volatility: 49.96%; dividend yield: 0%; discount rate: 1.92%; C$ exchange rate: 1.34.

The fair value of the November Notes was determined to be $54.5 million using an interest rate of 13.43% which the Company estimates would have been the coupon rate required to issue the notes had the financing not included the November Warrants. The fair value of the November Warrants was determined to be $4.4 million using the Black-Scholes option pricing model and the following assumptions: share price: C$14.29; exercise price: C$17.25; expected life: 2.6 years; annualized volatility: 48.57%; dividend yield: 0%; discount rate: 1.92%; C$ exchange rate: 1.32.

For the three and nine months ended September 30, 2021 accretion expense was $0.8 million and $2.3 million respectively. For the three and nine months ended September 30, 2020, accretion expense was $0.7 million and $2.1 million, respectively. Accretion expense is included in general and administrative expenses in the condensed consolidated statements of operations and comprehensive income.

Because of the Canadian denominated exercise price, the June and November Warrants did not qualify to be classified within equity and were therefore classified as derivative liabilities at fair value with changes in fair value charged or credited to earnings in the condensed consolidated statements of operations and comprehensive income prior to December 10, 2020.

On December 10, 2020, the Company entered into a Supplemental Warrant Indenture with Odyssey Trust Company pursuant to which it amended the terms of the issued and outstanding subordinate voting share purchase warrants of the Company (the "Public Warrants") to convert the exercise price of the Public Warrants to $13.47 per share, the U.S. dollar equivalent of the Canadian dollar exercise price of the Public Warrants of C$17.25. The U.S. dollar exercise price was determined using the U.S. dollar exchange rate published by the Bank of Canada as at the close of business on December 9, 2020 of C$1.00 = $0.781. The June Warrants and November Warrants converted to equity as per ASC 815-40, at an expense of $25.5 million and $27.1 million, respectively.

The $130.0 million principal amount of the June and November Notes are due in June 2024.

Scheduled annual maturities of the principal portion of long-term debt outstanding at September 30, 2021 in the successive five-year period and thereafter are summarized below:

	Private placement notes
	(dollars in thousands)
2021	$ —
2022	—
2023	—
2024	130,000
2025	—
Thereafter	—
Total debt	130,000
Less: unamortized debt issuance costs	(10,522)
Net debt	$ 119,478

NOTE 10. LEASES

The following table provides the components of lease cost recognized in the condensed consolidated statement of operations and comprehensive income for the three and nine months ended September 30, 2021 and 2020:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Lease Cost	**2021**	**2020**	**2021**	**2020**
	(dollars in thousands)			
Operating lease cost	2,483	1,545	5,751	4,087
Finance lease cost:				
Amortization of lease assets	1,990	1,496	5,357	3,688
Interest on lease liabilities	1,177	782	2,914	1,801
Finance lease cost	3,167	2,278	8,271	5,489
Variable lease cost	2,529	28	3,139	310
Total lease cost	$ 8,179	$ 3,851	$ 17,161	$ 9,886

Weighted average discount rate and remaining lease term for the nine months ended September 30, 2021 are as follows:

	Operating lease	Finance lease
Weighted average discount rate	8.75%	8.46%
Weighted average remaining lease term (in years)	8.67	8.20

The maturity of the contractual undiscounted lease liabilities as of September 30, 2021 is as follows:

	Operating leases	Finance leases
	(dollars in thousands)	
Remainder of 2021	$ 1,991	$ 2,494
2022	8,173	10,509
2023	7,886	13,246
2024	7,759	9,395
2025	7,800	9,069
Thereafter	35,893	43,875
Total undiscounted lease liabilities	69,502	88,588
Interest on lease liabilities	(21,581)	(26,000)
Total present value of minimum lease payments	47,921	62,588
Lease liability - current portion	(4,264)	(5,354)
Lease liability	$ 43,657	$ 57,234

During the third quarter of 2021, the Company identified a misstatement in its accounting for leases in prior periods, primarily the second quarter of 2021. Refer to "*Note 2. Basis of Presentation*" under "*Revisions of Previously Issued Financial Statements*" above for additional details.

NOTE 11. CONSTRUCTION FINANCE LIABILITIES

In July 2019, the Company sold property it had recently acquired in Massachusetts for $3.5 million, which was the cost to the Company. In connection with the sale of this location, the Company agreed to lease the location back for cultivation. The landlord has agreed to provide a tenant improvement allowance (“TI Allowance”) of $40.0 million, which was dispensed in its entirety as of December 31, 2020. The initial term of the agreement is ten years, with two options to extend the term for five years each. The initial payments are equal to 11% of the sum of the purchase price for the property and will increase when a draw is made on the TI Allowance. In addition, a 3% increase in payments will be applied annually after the first year. As of September 30, 2021, the total finance liability associated with this transaction is $44.4 million.

In October 2019, the Company sold property in Florida in exchange for cash of $17.0 million. Concurrent with the closing of the purchase, the buyer entered into a lease agreement with the Company for continued operation as a licensed medical cannabis cultivation facility. The initial term of the agreement is ten years, with two options to extend the term for five years each. The initial annualized payments are equal to 11% of the purchase price for the property. A 3% increase in payments will be applied annually after the first year. As of September 30, 2021, the total finance liability associated with this transaction is $17.4 million.

In October 2019, prior to its acquisition by the Company, PurePenn, LLC (“PurePenn”) sold their cannabis cultivation facility in Pennsylvania for $5.0 million. Simultaneously with the closing of the sale, PurePenn agreed to lease the cultivation facility back. The initial term of the lease is fifteen years, with two five-year options to renew. The landlord has agreed to provide a TI allowance of $21.0 million as an additional component of base rent. Payments are made based on one twelfth (1/12) of the TI allowance dispersed with 12.75% due for the first $5.0 million and 13.75% thereafter. On March 8, 2021, the Company entered into a lease amendment with the landlord to increase the tenant improvement allowance to $36.5 million at a rate of 10.75% on the additional allowance in excess of $21.0 million. As of September 30, 2021, $25.6 million of the TI allowance has been provided. As of September 30, 2021, the total finance liability associated with this transaction is $30.2 million.

Under the failed-sales-leaseback accounting model, the Company is deemed under U.S. GAAP to own the above mentioned real estate properties as financing arrangements since control was never transferred to the buyer-lessor. These agreements are presented on our condensed consolidated balance sheet within property and equipment, net and depreciated over the assets' remaining useful life.

NOTE 12. SHARE CAPITAL

The authorized share capital of the Company is comprised of the following:

(i) Unlimited number of Subordinate Voting Shares

Holders of the Subordinate Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting holders of Subordinate Voting Shares shall be entitled to one vote in respect of each Subordinate Voting Share held. Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares and Super Voting Shares.

As of September 30, 2021 and 2020, there were 74,611,611 and 58,134,478 Subordinate Voting Shares issued and outstanding, respectively.

(ii) Unlimited number of Multiple Voting Shares

Holders of Multiple Voting shares are entitled to notice of and to attend any meetings of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company have the right to vote. At each such meeting, holders of Multiple Voting Shares are entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could ultimately then be converted (initially, 100 votes per Multiple Voting Share). The initial "Conversation Ratio" for Multiple Voting Shares is 100 Subordinate Voting shares for each Multiple Voting Share, subject to adjustment in certain events. Holders of Multiple Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefore, pari passu (on an as converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the Conversion Ratio) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares.

No dividend may be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Super Voting Shares.

As of September 30, 2021 and 2020, there were 549,196, and 14,770 Multiple Voting Shares issued and outstanding, respectively, which were equal to 54,919,596, and 1,476,959 Subordinate Voting Shares, respectively, if converted.

(iii) Unlimited number of Super Voting Shares

Holders of Super Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Super Voting Shares are be entitled to two votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (initially, 200 votes per Super Voting Share). Holders of Super Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefore, pari passu (on an as converted to Subordinated Voting Share basis) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend is to be declared or paid on the Super Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Multiple Voting Shares. The initial "Conversion Ratio" for the Super Voting Shares is one Multiple Voting Share for each Super Voting Share, subject to adjustment in certain events.

On March 21, 2021, in accordance with the terms of the Company's Articles, all of the outstanding Super Voting Shares converted automatically, without any action by the holders of such Super Voting Shares, into Multiple Voting Shares and, following that conversion, the Company may not issue additional Super Voting Shares.

As of September 30, 2021, there were no Super Voting Shares issued or outstanding. As of September 30, 2020, there were 581,825 Super Voting Shares issued or outstanding which were equal to 58,182,500 Super Voting Shares if converted.

NOTE 13. SHARE-BASED COMPENSATION

Equity Incentive Plans

The Company's 2021 Omnibus Incentive Plan (the "2021 Plan") was adopted at the annual meeting of shareholders. The 2021 Plan reserves 4,000,000 Subordinate Voting Shares for issuance thereunder and replaced the Schyan Exploration Inc. Stock Option Plan (the "Prior Plan"). Awards previously granted under the Prior Plan, including equity awards granted in the first quarter of 2021 for performance in 2020, remain subject to the terms of the Prior Plan. No further grants of awards shall be made under the Prior Plan. The Prior Plan is administered by the Board of Directors of the Company and the 2021 Plan is administered by the Compensation Committee. The 2021 Plan provides for the grant of Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Share Units, and Other Awards. As of September 30, 2021 a total of 895,877 awards were granted under the 2021 Plan between the date of its adoption by shareholders on June 10, 2021 and September 30, 2021.

Options

The fair value of stock options granted by the Company during 2021 and 2020, under the Prior Plan, were estimated on the date of the grant using the Black-Scholes option-pricing model with the relevant assumptions outlined in the table below. The expected volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the United States three-year bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

On January 3, 2020, under the Prior Plan, the Board awarded options to purchase shares to directors, officers, and key employees of the Company. In accordance with the Prior Plan's policy, the vesting period for employees is 15% as of the date of issuance, 25% vested on December 31, 2020, and 60% vest on December 31, 2021. For founding members of the Board of Directors, the options were fully vested on the date of grant. For non-founding members of the Board of Directors, 50% of the options were vested on December 31, 2020, and 50% will vest on December 31, 2021.

On January 4, 2021, under the Prior Plan, the Board awarded options to purchase shares to directors, officers, and key employees of the Company. In accordance with the Prior Plan's policy, the vesting period for employees is 15% vest on December 31, 2021, 25% vest on December 31, 2022, and 60% vest on December 31, 2023. For founding and non-founding members of the Board of Directors, 50% of the options vest on December 31, 2021, and 50% will vest on December 31, 2022.

On September 29, 2021, under the 2021 Plan, the Board awarded options to purchase shares to officers and other select employees of the Company. The options vest over three years and have a contractual term between six and seven years. In accordance with the 2021 Plan's policy, the vesting period for directors and officers is 33 1/3% vest on December 1, 2021, 33 1/3% vest on December 1, 2022, and 33 1/3% vest on December 1, 2023.

	For the Nine Months Ended September 30, 2021	**For the Nine Months Ended September 30, 2020**
Fair value at grant date	$10.58-$11.20	$3.11-$3.26
Stock price at grant date	$26.88-$33.42	$11.52-$12.50
Exercise price at grant date	$26.88-$33.42	$11.52-$12.50
Expected life in years	3.00 - 3.50	1.58 - 2.00
Expected volatility	49.88% - 53.75%	49.10% - 50.15%
Expected annual rate of dividends	0%	0%
Risk free annual interest rate	0.16% - 0.79%	1.40 - 1.58%

For the nine months ended September 30, 2021, the Company recorded share-based compensation for all stock options in the amount of $2.2 million. This is recognized as $0.2 million cost of goods sold, net, $1.6 million general and administrative and $0.4 million sales and marketing in the condensed consolidated statements of operations and comprehensive income.

The number and weighted-average exercise prices and remaining contractual life of options at September 30, 2021 were as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (yrs)	Aggregate intrinsic value
Outstanding at January 1, 2021	1,129,774	11.72	4.01	—
Granted	877,509	29.32	3.55	—
Exercised	(36,787)	11.52	—	—
Forfeited	—	—	—	—
Outstanding, September 30, 2021	1,970,496	$ 19.56	4.52	$ 8.43
Exercisable, September 30, 2021	517,672	$ 11.71	3.34	$ 15.20

Total unvested options as of September 30, 2021, are 1,452,824 which are expected to vest over time and have an aggregate unrecognized compensation expense of $8.5 million. The unrecognized compensation expense will be recognized over a weighted average period of 2.09 years.

As noted above, following shareholder approval of the 2021 Plan, no further grants of awards shall be made under the Prior Plan.

Restricted Stock Units

Restricted stock units ("RSUs") represent a right to receive a single Subordinate Voting Share that is both non-transferable and forfeitable unless and until certain conditions are satisfied. RSUs vest ratably over a two to three year period subject to continued employment through each anniversary. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis. On September 15, 2021, the Board awarded RSUs to officers of the Company as replacement awards for cancelled warrants, which vest immediately. On September 29, 2021, under the 2021 Plan, the Board awarded RSUs to officers, and other select employees of the Company, which vest over a two to three year period.

	Number of restricted stock units	Weighted average grant price
Balance as of January 1, 2021	—	—
Granted	3,249,319	25.45
Vested	(2,904,079)	25.28
Forfeited	—	—
Balance as of September 30, 2021	345,240	$ 26.88

No share-based compensation expense was recorded for RSUs during the three months ended September 30, 2021.

In September 2021, the Board of Directors approved grants of RSUs for two executive officers who previously held warrants. The previously held warrants were cancelled on September 15, 2021 with the new RSUs granted on September 15, 2021 as a replacement of the previously held warrants. The two officers were awarded a total premium of $3.1 million, allocated between the two officers, to incentivize the cancellation and replacement. No share-based compensation expense was recorded related to the cancellation and replacement of the previous warrants with the new RSUs during the three months ended September 30, 2021.

Warrants

During the year ended December 31, 2018, the Company issued 8,784,872 warrants to certain employees and directors of the Company for past services provided. The warrants had no vesting conditions and are exercisable at any time for three years after the issuance, subject to certain lock-up provisions: (i) the warrants may not be exercised for 18 months following the Issue Date; (ii) 50% of the warrants may be exercised between months 19-24 following the Issue Date; and (iii) the remaining 50% of the warrants may be exercised at any time thereafter until expiration. The warrants are exchangeable into Subordinate Voting Shares. For the nine months ended September 30, 2021 and 2020, no warrants related to share-based compensation were issued. As the warrants had no vesting conditions, the entire share-based compensation expense of $15.0 million was recognized when the warrants were issued in 2018.

The following table summarizes the warrants issued and outstanding to certain employees and directors of the Company as of December 31, 2020 and the changes during the nine months ended September 30, 2021:

	Number of warrants	Weighted average exercise price ($CAD)	Weighted average remaining contractual life (yrs)
Outstanding as of January 1, 2021	6,061,561	6.00	0.72
Granted	—	—	—
Exercised	(2,075,990)	6.00	—
Exchanged in cashless exercise	(413,057)	—	—
Cancelled	(3,572,514)	—	—
Outstanding as of September 30, 2021	—	—	—

Refer to the restricted stock unit disclosure above for additional information regarding the issuance of RSU's in exchange for the cancelled warrants held by two executive officers.

NOTE 14. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2021 and 2020:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)		*(dollars in thousands)*	
Net income	$ 18,616	$ 17,415	$ 89,574	$ 59,958
Weighted average number of common shares outstanding	128,146,298	112,039,640	122,983,729	111,824,816
Dilutive effect of warrants and options outstanding	8,762,968	5,909,584	7,943,354	4,173,888
Diluted weighted average number of common shares outstanding	136,909,266	117,949,224	130,927,083	115,998,704
Basic earnings per share	$ 0.15	$ 0.16	$ 0.73	$ 0.54
Diluted earnings per share	$ 0.14	$ 0.15	$ 0.68	$ 0.52

NOTE 15. INCOME TAXES

The following table summarizes the Company's income tax expense and effective tax rate for the three and nine months ended September 30, 2021 and 2020

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)		*(dollars in thousands)*	
Income before provision for income taxes	$ 60,219	$ 43,363	$ 194,828	$ 127,074
Provision for income taxes	41,603	25,948	105,254	67,116
Effective tax rate	69%	60%	54%	53%

NOTE 16. RELATED PARTIES

The Company had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the balance at September 30, 2021 and December 31, 2020 was $12.0 million and $12.0 million, respectively, as discussed in *"Note 8 – Notes Payable Related Party"*.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the board of directors of the Company, is a minority owner of a company (the "Supplier") that provides construction and related services to the Company. The Supplier is responsible for the construction of the Company's cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the nine months ended September 30, 2021 and 2020, property and equipment purchases totaled $119.6 million, and $65.0 million, respectively. As of September 30, 2021 and December 31, 2020, $14.7 million and $10.4 million, respectively, of property and equipment purchases was included in accounts payable in the condensed consolidated balance sheets. The use of the Supplier was reviewed and approved by the independent members of the Company's board of directors, and all invoices of the Supplier are reviewed by the office of the Company's Chief Legal Officer.

The Company has many leases from various real estate holding companies that are managed by various related parties including Benjamin Atkins, a former director and current shareholder of the Company, and the Supplier. As of September 30, 2021 and December 31, 2020, under ASC 842, the Company had the following in the condensed consolidated balance sheet:

	As of September 30, 2021		As of December 31, 2020	
	Operating	**Finance**	**Operating**	**Finance**
	(dollars in thousands)		*(dollars in thousands)*	
Right-of-use assets, net	$ 6,116	$ 2,080	$ 12,003	$ 3,425
Lease liabilities:				
Lease liabilities - current portion	725	207	1,539	281
Lease liabilities	5,790	2,184	11,083	3,500
Total related parties lease liabilities	$ 6,515	$ 2,391	$ 12,622	$ 3,781

Expenses recognized for related party leases were $0.9 million and $2.4 million for the three and nine months ended September 30, 2021, respectively. Expenses recognized for related party leases were $0.9 million and $2.6 million for the three and nine months ended September 30, 2020, respectively.

NOTE 17. CONTINGENCIES

(a) Operating Licenses

Although the possession, cultivation and distribution of cannabis for medical use is permitted in Florida, Massachusetts, California, Connecticut, Pennsylvania and West Virginia, cannabis is a Schedule-I controlled substance and its use and possession remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with our business plans. In addition, the Company's assets, including real property, cash and cash equivalents, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

(b) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Except as disclosed below, at September 30, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's condensed consolidated statements of operations and comprehensive income. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

On December 30, 2019, a securities class-action complaint, *David McNear v. Trulieve Cannabis Corp. et al.*, Case No. 1:19-cv-07289, was filed against the Company in the United States District Court for the Eastern District of New York. On February 12, 2020, a second securities class-action complaint, *Monica Acerra v. Trulieve Cannabis Corp. et al.*, Case No. 1:20-cv-00775, which is substantially similar to the complaint filed on December 30, 2019, was filed against the Company in the United States District Court for the Eastern District of New York. Both complaints name the Company, Kim Rivers, and Mohan Srinivasan as defendants for allegedly making materially false and misleading statements regarding the Company's previously reported financial statements and public statements about its business, operations, and prospects. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and SEC Rule 10b-5 promulgated thereunder. The complaint sought unspecified damages, costs, attorneys' fees, and equitable relief. On March 20, 2020, the Court consolidated the two related actions under *In re Trulieve Cannabis Corp. Securities Litigation*, No. 1:19-cv-07289, and appointed William Kurek, John Colomara, David McNear, and

Monica Acerra as Lead Plaintiffs. After consultation with legal counsel, the Company believes that the suit is immaterial and that the claims are without merit and intends to vigorously defend against them.

NOTE 18. SUBSEQUENT EVENTS

Harvest Health & Recreation

On October 1, 2021 (the "Closing Date"), the Company completed its previously announced acquisition of Harvest Health & Recreation Inc. ("Harvest") pursuant to an Arrangement Agreement, dated May 10, 2021 ("the Arrangement Agreement"). On the Closing Date, the Company acquired all of the issued and outstanding subordinate voting shares, multiple voting shares and super voting shares (collectively the "Harvest Shares") of Harvest. Pursuant to the terms of the Arrangement Agreement, holders of Harvest Shares received 0.1170 of a Subordinate Voting Share of the Company for each subordinate voting share of Harvest held. In total, the Company issued an aggregate of 50,874,175 Trulieve Shares, representing a value of $1.4 billion, in connection with the exchange for all of the issued and outstanding Harvest shares.

The acquisition will be accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. The Company has begun the process to determine the purchase price allocation for the assets acquired and liabilities assumed including estimating the fair values of intangible and tangible assets. Due to the limited time since the acquisition, these estimates and the initial accounting for the business combination have not been completed. As a result, the Company is unable to provide the amounts recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed.

Senior Secured Notes Due 2026

On October 6, 2021, the Company closed its previously announced private placement of 8% Senior Secured Notes (the "Notes") for aggregate gross proceeds of $350.0 million and net proceeds of $342.6 million. The Notes were issued at 100% face value, bear an interest rate of 8% per annum payable semi-annually in equal installments until the maturity date, unless earlier redeemed or repurchased. The Notes will mature on October 6, 2026 and may be redeemed in whole or in part, at any time from time to time, on or after October 6, 2023 at the application redemption price set forth in the Indenture. The Company used a portion of the net proceeds to redeem certain outstanding indebtedness of Harvest, and intends to use the remaining net proceeds for capital expenditures and other general corporate purposes.