Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2021 Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Quarterly Report on Form 10-Q and in "Part I, Item 1A—Risk Factors" in our 2021 Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained herein and in our 2021 Form 10-K.

Overview

We are a vertically integrated cannabis company and multi-state operator which currently holds licenses to operate in ten states and has received notice of intent to award a license in an eleventh state. Headquartered in Quincy, Florida, we are the market leader for quality medical cannabis products and services in Florida and we have market leading retail operations in Arizona and Pennsylvania. By providing innovative, high-quality products across our brand portfolio, we aim to be the brand of choice for medical and adult-use customers in all of the markets that we serve. We operate in highly regulated markets that require expertise in cultivation, manufacturing, retail and logistics. We have developed proficiencies in each of these functions and are committed to expanding access to high quality cannabis products and delivering exceptional customer experiences.

All of the states in which we operate have adopted legislation to permit the use of cannabis products for medicinal purposes to treat specific conditions and diseases, which we refer to as medical cannabis. Recreational marijuana, or adult-use cannabis, is legal marijuana sold in licensed dispensaries to adults ages 21 and older. Thus far, of the states in which we operate, only Arizona, California, Colorado, Connecticut, Massachusetts and Nevada have adopted legislation permitting commercialization of adult-use cannabis products. As previously disclosed, on October 1, 2021, we completed our previously announced acquisition of Harvest Health & Recreation Inc. ("Harvest") and, as a result of the acquisition, our operations have expanded significantly effective as of such date. As of May 2, 2022, we operated 165 dispensaries, with 115 dispensaries in Florida, 19 affiliated dispensaries in Pennsylvania, 17 dispensaries in Arizona, five dispensaries in California, three dispensaries in Maryland, three dispensaries in Massachusetts, two dispensaries in West Virginia and one dispensary in Connecticut, and we operated cultivation and processing facilities in Arizona, Colorado, Florida, Maryland, Massachusetts, Nevada, Pennsylvania, and West Virginia.

As of March 31, 2022, we employed over 9,000 people, and we are committed to providing patients and adult consumers, which we refer to herein as "customers," a consistent and welcoming retail experience across Trulieve branded stores and affiliated retail locations. As of March 31, 2022, the majority of our revenue was generated from the sale of medical cannabis products in the State of Florida and to a lesser extent Arizona and the Commonwealth of Pennsylvania. To date, neither the sale of adult-use cannabis products, nor our operations in California, Connecticut, Colorado, Maryland, Massachusetts, Nevada, or West Virginia, have been material to our business.

Our business and operations center around the Trulieve brand philosophy of "Customers First" which permeates our culture beginning with high- quality and efficient cultivation and manufacturing practices, focus on the consumer experience at Trulieve branded and affiliated retail locations, at our in-house call center and where available at customer residences through a robust home delivery program. Our investments in vertically integrated operations in several of our markets afford us ownership of the entire supply chain which mitigates third-party risks and allows us to completely control product quality and brand experience. We believe that this contributes to high customer retention and brand loyalty. We successfully operate our core business functions of cultivation, production and distribution at scale, and are skilled at rapidly increasing capacity without any interruption to existing operations.

Trulieve has identified five regional geographic hubs in the U.S. and has established cannabis operations in three of the five hubs: Southeast, Northeast, and Southwest. In each of our three regional hubs we have market leading positions in cornerstone states and additional operations and assets in other state markets. Our hubs are managed by national and regional management teams supported by our corporate headquarters in Florida.

Southeast Hub

Our southeast hub operations are anchored by our cornerstone market of Florida. Trulieve was the first licensed operator in the medical market in Florida with initial sales in 2016. Publicly available reports filed with the Florida Office of Medical Marijuana Use show Trulieve has the most dispensing locations and the greatest dispensing volume across product categories out of all licensed medical marijuana businesses in the state as of December 31, 2021. Trulieve cultivates and produces all of its products in-house and distributes those products to customers in Trulieve branded stores (dispensaries) throughout Florida, as well as via home delivery.

As of March 31, 2022, Trulieve operated cultivation and processing facilities across thirteen sites and 113 retail dispensaries throughout the state. In accordance with Florida law, Trulieve grows all of its cannabis in secure enclosed indoor facilities and greenhouse structures. In furtherance of our customer-first focus, we have developed a suite of Trulieve branded products, including flower, edibles, vaporizer cartridges, concentrates, topicals, capsules, tinctures, dissolvable powders, and nasal sprays. This wide variety of products gives customers the ability to select the product that consistently delivers the desired effect and in their preferred method of delivery.

In Georgia, Trulieve received a Notice of Intent to award a Class 1 Production License from the Georgia Access to Medical Cannabis Commission in July 2021. The Notice of Intent to award is a notice of the Georgia Access to Medical Cannabis Commission's expected contract award to Trulieve GA pending resolution of a protest process. If the contract is awarded, Trulieve GA will hold one of two Class 1 Production Licenses in the state and will be permitted to cultivate cannabis for the manufacture of low tetrahydrocannabinol, or THC oil.

Northeast Hub

Our northeast hub operations are anchored by our cornerstone market of Pennsylvania.

We conduct cultivation, processing, and retail operations through its direct and indirect subsidiaries with permits for retail operations and grower/processor operations in Pennsylvania. These subsidiaries operate cultivation and processing facilities in McKeesport, Reading, and Carmichael, Pennsylvania to support our affiliated network of retail dispensaries and wholesale distribution network across the state.

We operate three medical dispensaries in Maryland and conduct wholesale sales supported by cultivation and processing in Hancock, Maryland. As of May 2, 2022, we operate three retail dispensaries in Massachusetts, serving medical and adult use customers in Northampton and adult use customers in Worcester and Framingham as of May 2, 2022. Our retail operations are supported by cultivation and manufacturing operations in Holyoke. We commenced wholesale sales in September 2021. Trulieve was the first to offer sales of clones supporting home grow for residents in the Massachusetts market in August 2021.

We operate a medical cannabis dispensary located in Bristol, Connecticut. Under Connecticut's adult-use cannabis legislation, which was enacted July 1, 2021, Trulieve can seek regulatory approval to expand sales at this dispensary to include adult use sales.

We operate two medical dispensaries in Morgantown, and Weston, West Virginia, supported by cultivation and processing operations in Huntington, West Virginia. As of May 2, 2022, Trulieve has been awarded and has acquired permits to operate up to a total of ten dispensaries in West Virginia.

Southwest Hub

Our southwest hub operations are anchored by our cornerstone market of Arizona. In Arizona, Trulieve holds a market-leading position, offering medical and adult use customers a wide range of branded and third-party products, including brand partner products. We also serve medical and adult use customers in California. Trulieve conducts wholesale operations in Nevada and Colorado, serving the medical and adult use markets in each state.

Recent Developments

On January 28, 2022, the Company closed on a second tranche private placement of 8% Senior Secured Notes (the "2026 Notes") for aggregate gross proceeds of $75.6 million. The 2026 Notes bear interest at a rate of 8% per annum, payable semi-annually in equal installments until the maturity date, unless earlier redeemed or repurchased. The 2026 Notes mature on October 6, 2026, and may be redeemed in whole or in part, at the Company's option, at any time, on or after October 6, 2023, at the applicable redemption price set forth in the agreement.

On February 14, 2022, the Company completed an acquisition whereby Trulieve acquired a cultivation operation from CP4 Group, LLC, in Phoenix, Arizona ("Watkins"). Total consideration was $27.5 million consisting of cash.

Components of Results of Operations

Revenue

We derive our revenue from cannabis products which we manufacture, sell, and distribute to our customers by home delivery and in our dispensaries, as well as sales of cannabis products to wholesale customers in select markets.

Gross Profit

Gross profit 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.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs related to the dispensaries as well as marketing programs for our products. As we continue to expand and open additional dispensaries, we expect our sales and marketing expenses to continue to increase.

General and Administrative

General and administrative expenses represent costs incurred at our corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, and other professional service costs, including legal and accounting. We expect to continue to invest considerably in this area to support our expansion plans and to support the increasing complexity of the cannabis business. Furthermore, we expect to continue to incur acquisition, transaction, and integration costs related to our expansion plans, and we anticipate a significant increase in compensation expenses related to recruiting and hiring talent, accounting, and legal and professional fees 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 recognized 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 derived 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.

Other Income (Expense), Net

Other income (expense), net consist primarily of interest expense, interest income, loss on sale of non-operational assets, and the revaluation of derivative liabilities.

Provision for Income Taxes

Provision for income taxes is calculated using the asset and liability method. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As we operate in the cannabis industry, we are subject to the limits of IRC Section 280E under which we are only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

Results of Operations

Revenue

	Three Months Ended March 31,		Change
	2022	**2021**	**%**
	(in thousands)		
Revenues, net of discounts	$ 318,348	$ 193,823	64%

Revenue for the three months ended March 31, 2022 was $318.3 million, an increase of $124.5 million, from $193.8 million for the three months ended March 31, 2021. The increase in revenue is the result of an increase in organic growth in retail sales due to an increase in products available for purchase and overall patient count, increased retail locations, as well as expansion of the wholesale business. During the period the Company made acquisitions such as Harvest and Keystone Shops, expanded business into new states such as Massachusetts and West Virginia, and opened additional dispensaries in existing markets such as Florida, all of which contributed to the increase in revenue.

Cost of Goods Sold

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change %
	(in thousands)		
Cost of goods sold	$ 140,198	$ 58,559	139%
% of total revenues	44%	30%	

Cost of goods sold for the three months ended March 31, 2022, was $140.2 million, an increase of $81.6 million, from $58.6 million for the three months ended March 31, 2021. Cost of goods sold increased due to expansion of the business and increased revenue. Cost of goods sold as a percentage of revenue increased from 30% for the three months ended March 31, 2021, to 44% for the three months ended March 31, 2022 due to increased depreciation related to capital expenditures to support business growth, and expansion into new markets which are not fully vertical, resulting in the sale of third party products, and therefore yield lower margin than our vertical markets.

Gross Profit

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change %
	(in thousands)		
Gross profit	$ 178,150	$ 135,264	32%
% of total revenues	56%	70%	

Gross profit for the three months ended March 31, 2022, was $178.2 million, up $42.9 million or 32% from $135.3 million for the three months ended March 31, 2021. Gross profit as a percentage of revenue decreased from 70% for the three months ended March 31, 2021, to 56%, for the three months ended March 31, 2022. The decrease is due to increased wholesale business which is generally lower margin than retail sales, increased depreciation related to capital expenditures to support business growth, and expansion into new markets which are not fully vertical, resulting in the sale of third party products, and therefore yield lower margin than our vertical markets.

Sales and Marketing Expenses

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change %
	(in thousands)		
Sales and marketing expenses	$ 72,862	$ 44,558	64%
% of total revenues	23%	23%	

Sales and marketing expense increased by 64% from $44.6 million for the three months ended March 31, 2021 to $72.9 million for the three months ended March 31, 2022. The increase in sales and marketing expense is the result of a higher headcount for the year, as we continue to add additional dispensaries in efforts to maintain and further drive higher growth in sales and market share as well as expanding into new markets. This increased headcount resulted in higher personnel costs, which is the primary driver for the increase year over year.

General and Administrative Expenses

	Three Months Ended March 31, 2022	2021	Change %
	(in thousands)		
General and administrative expenses	$ 33,546	$ 12,709	164%
% of total revenues	11 %	7 %	

General and administrative expense for the three months ended March 31, 2022, increased by 164% to $33.5 million from $12.7 million for the three months ended March 31, 2021. The increase in general and administrative expense is the result of entering new markets, ramping our infrastructure to support growth initiatives, continued acquisitions resulting in additional transaction and integration costs and increased go-forward compliance costs. General and administrative expenses included acquisition and transaction costs of $3.3 million for the three months ended March 31, 2022.

Depreciation and Amortization Expenses

	Three Months Ended March 31, 2022	2021	Change %
	(in thousands)		
Depreciation and amortization expenses	$ 29,305	$ 5,434	439%
% of total revenues	9 %	3 %	

Depreciation and amortization expense for the three months ended March 31, 2022, was $29.3 million, up $23.9 million from $5.4 million for the three months ended March 31, 2021. The overall increase in depreciation and amortization expenses was due to investment in infrastructure that resulted in a higher number of capitalized assets from the additional dispensaries and cultivation facilities. Furthermore, amortization expense increased due to acquisitions and acquired intangibles.

Impairment and Disposal of Long-lived Assets

	Three Months Ended March 31, 2022	2021	Change %
	(in thousands)		
Loss on impairment and disposal of long-lived assets	$ 13,780	$ —	100%
% of total revenues	4 %	—	

Loss on impairment and disposal of long-lived assets for the quarter ended March 31, 2022, increased to $13.8 million from zero for the three months ended March 31, 2021. The increase is primarily due to the write off of certain leases due to market changes in our Southeast hub and the disposal of certain long-lived assets.

Total Other Expense, Net

	Three Months Ended March 31, 2022	2021	Change %
	(in thousands)		
Total other expense, net	$ 18,823	$ 7,936	137%
% of total revenues	6 %	4 %	

Total other expense, net for the three months ended March 31, 2022, was expense of $18.8 million, an increase of $10.9 million from expense of $7.9 million for the three months ended March 31, 2021. The overall increase is primarily the result of an increase in interest expense related to additional finance leases to support business growth and loss on disposal of non-operational assets during the three months ended March 31, 2022.

Provision for Income Taxes

	Three Months Ended March 31,		Change
	2022	2021	%
	(in thousands)		
Provision for income taxes	$ 42,316	$ 34,549	22%

Income tax expense for the three months ended March 31, 2022, increased to $42.3 million from $34.5 million for the three months ended March 31, 2021. Under IRC Section 280E, cannabis companies are only allowed to deduct expenses that are directly related to production of the products. The Company's quarterly tax provision is subject to change resulting from several factors, including regulations and administrative practices, principles, and interpretations related to tax. The increase in income tax expense is primarily due to the increase in gross profit as a result of increased revenue.

Net Income

	Three Months Ended March 31,		
	2022	2021	Change
	(in thousands)		
Net (loss) income and comprehensive income	$ (32,482)	$ 30,078	-208%

Net loss for the three months ended March 31, 2022, was $32.5 million a decrease of $62.6 million, from net income of $30.1 million for the three months ended March 31, 2021. The decrease was driven primarily by lower gross margin, increased sales and marketing and general and administrative costs related to the expanded organization, losses on disposal of long-lived assets, increased other expense, and increased tax expense, as due to the restrictions of 208E, the Company is not able to deduct many of their operating expenses for tax purposes.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception, we have funded our operations and capital spending through cash flows from product sales, loans from affiliates and entities controlled by our affiliates, third-party debt, and proceeds from the sale of our capital stock. We are generating cash from sales and are deploying our capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and long term to support our business growth and expansion. Our current principal sources of liquidity are our cash and cash equivalents provided by our operations and debt and equity offerings. Cash and cash equivalents consist primarily of cash on deposit with banks and money market funds. Cash and cash equivalents were $267.2 million as of March 31, 2022.

We believe our existing cash balances will be sufficient to meet our anticipated cash requirements from the report issuance date through at least the next twelve months.

Our primary uses of cash are for working capital requirements, capital expenditures and debt service payments. Additionally, from time to time, we may use capital for acquisitions and other investing and financing activities. Working capital is used principally for our personnel as well as costs related to the growth, manufacture, and production of our products. Our capital expenditures consist primarily of additional facilities and dispensaries, improvements in existing facilities and product development.

To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. There can be no assurance that we will be able to obtain additional funds on terms acceptable to us, on a timely basis, or at all. The failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the results of operations and financial condition.

Cash Flows

The table below highlights our cash flows for the periods indicated.

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Net cash provided by operating activities	$ 45,147	$ 59,591
Net cash used in investing activities	(83,828)	(53,362)
Net cash provided by financing activities	72,248	9,508
Net increase in cash and cash equivalents	33,567	15,737
Cash, cash equivalents, and restricted cash, beginning of period	233,659	146,713
Cash, cash equivalents, and restricted cash, end of period	$ 267,226	$ 162,450

Cash Flow from Operating Activities

Net cash provided by operating activities was $45.1 million for the three months ended March 31, 2022, a decrease of $14.4 million, compared to $59.6 million net cash provided by operating activities during the three months ended March 31, 2021. This is primarily due to the current net loss versus net income in the prior year period, and increases in net working capital requirements, including inventory, as we ramp the business to support our growth.

Cash Flow from Investing Activities

Net cash used in investing activities was $83.8 million for the three months ended March 31, 2022, an increase of $30.5 million, compared to the $53.4 million net cash used in investing activities for the three months ended March 31, 2021. The increase is primarily due to the acquisition completed during the period.

Cash Flow from Financing Activities

Net cash provided by financing activities was $72.2 million for the three months ended March 31, 2022, an increase of $62.7 million, compared to the $9.5 million net cash provided by financing activities for the three months ended March 31, 2021. The increase was primarily due to proceeds from the closing of the second tranche of the Senior Secured Notes.

Funding Sources

Private Placement Note Liabilities - "June Warrants" and "November Warrants"

On June 18, 2019, we completed an offering using our Canadian prospectus of 70,000 units (the "June Units"), comprised of an aggregate principal amount of US$70.0 million of 9.75% senior secured notes maturing in 2024 (the "June Notes") and an aggregate amount of 1,470,000 subordinate voting share warrants (each individual warrant being a "June Warrant") at a price of US$980 per June Unit for gross proceeds of US$68.6 million. Each June Unit was comprised of one June Note issued in denominations of $1,000 and 21 June Warrants.

On November 7, 2019, we completed an offering using our Canadian prospectus of 60,000 units (the "November Units"), comprised of an aggregate principal amount of US$60.0 million of 9.75% senior secured notes maturing in 2024 (the "November Notes") and an aggregate amount of 1,560,000 subordinate voting share warrants (each individual warrant being a "November Warrant") at a price of US$980 per November Unit for gross proceeds of US$61.1 million. Each November Unit was comprised of one November Note issued in denominations of $1,000 and 26 November Warrants.

Private Placement Note Liabilities - Secured Promissory Notes

On October 6, 2021, the Company closed on a 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 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 applicable redemption price set forth in the trust indenture dated as of June 18, 2019 (the "Base Indenture"), as supplemented by a supplemental trust indenture dated as of October 6, 2021 (the "Supplemental Indenture" and, the Base Indenture as supplemented by the Supplemental Indenture, the "Indenture"), by and between the Company and Odyssey Trust Company, as trustee. 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. The Indenture governing the Notes contains covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to, among other things, declare or pay dividends or make certain other payments; purchase, redeem or otherwise acquire or retire for value any equity interests or otherwise make any restricted payments; conduct certain asset sales or consolidate, merge or transfer all or substantially all of the assets of the Company and its subsidiaries on a consolidated basis; make certain restricted investments, incur certain indebtedness or grant certain liens, or enter into certain affiliate transactions. These covenants are subject to a number of other limitations and exceptions as set forth in the Indenture.

On January 28, 2022, the Company closed on a second tranche private placement of 8% Senior Secured Notes for aggregate gross proceeds of $75.6 million. The Notes 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 the Company's option, at any time, on or after October 6, 2023, at the application redemption price set forth in the Indenture.

Balance Sheet Exposure

As of March 31, 2022, the entirety of our condensed consolidated balance sheet is exposed to U.S. cannabis-related activities. We believe our operations are in material compliance with all applicable state and local laws, regulations, and licensing requirements in the states in which we operate. However, cannabis remains illegal under U.S. federal law. Substantially all our revenue is derived from U.S. cannabis operations. For information about risks related to U.S. cannabis operations, please refer to the “Risk Factors” section of this Quarterly Report on Form 10-Q and "Part I, Item 1A - Risk Factors" in our 2021 Form 10-K.

Contractual Obligations

As of March 31, 2022, we had the following contractual obligations to make future payments, representing contracts and other commitments that are known and committed:

	<1 Year	1 to 3 Years	3 to 5 Years	>5 Years	Total
			(in thousands)		
Accounts payable and accrued liabilities	$ 109,810	$ —	$ —	$ —	$ 109,810
Notes payable	9,543	2,525	15	930	13,013
Private placement notes	1,874	130,000	425,000	—	556,874
Operating lease liabilities	23,079	44,439	42,739	113,321	223,578
Finance lease liabilities	13,043	27,877	22,816	44,327	108,063
Construction finance liabilities	22,892	47,341	48,980	421,629	540,842
Total	$ 180,241	$ 252,182	$ 539,550	$ 580,207	$ 1,552,180

Off-Balance Sheet Arrangements

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

Management's Use of Non-GAAP Measures

Our management uses financial measures that are not in accordance with generally accepted accounting principles in the U.S., or GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. These non-GAAP financial measures should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with GAAP. Adjusted EBITDA is a financial measure that is not defined under GAAP. Our management uses this non-GAAP financial measure and believes it enhances an investor’s understanding of our financial and operating performance from period to period because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of our ongoing operations and performance. Adjusted EBITDA excludes from net income as reported interest, provision for income taxes, and depreciation and amortization to arrive at EBITDA. This is then adjusted for items that do not represent the operations of the core business such as inventory step-up for fair value adjustments in purchase accounting, integration and transition costs, acquisition and transaction costs, other non-recurring costs, expenses related to the COVID-19 pandemic, impairments and disposals of long-lived assets, the results of entities consolidated as VIEs but not legally controlled and operated by the Company, and other income and expense items. Integration and transition costs include those costs related to integration of acquired entities and to transition major systems or processes. Acquisition and transaction costs relate to specific transactions such as acquisitions whether contemplated or completed and regulatory filings and costs related to equity and debt issuances. Other non-recurring costs includes miscellaneous items which are not expected to reoccur frequently such as inventory adjustments related to specific issues and unusual litigation. Adjusted EBITDA for the period ended March 31, 2021, has been adjusted to reflect this current definition. Additionally, certain reclassifications have been made to Adjusted EBITDA for prior periods to conform to the current period presentation.

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

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

Adjusted EBITDA

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change
	(in thousands)		
Adjusted EBITDA	$ 105,544	$ 90,797	16%

Adjusted EBITDA for the Three months ended March 31, 2022 was $105.5 million, an increase of $14.7 million from $90.8 million for the three months ended March 31, 2021. The following table presents a reconciliation of GAAP net income to non-GAAP Adjusted EBITDA, for each of the periods presented:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(in thousands)	
Net (loss) income and comprehensive (loss) income attributable to common shareholders	$ (31,975)	$ 30,078
Add impact of:		
Interest expense	17,877	7,899
Provision for income taxes	42,316	34,549
Depreciation and amortization	29,305	5,434
Depreciation included in cost of goods sold	10,692	3,667
EBITDA	68,215	81,627
Inventory step up, fair value	385	2,528
Integration and transition costs	5,274	390
Acquisition and transaction costs	3,297	1,652
Share-based compensation	4,564	741
Other non-recurring costs	8,629	—
COVID related expenses	431	3,822
Loss on impairment and disposal of long-lived assets	13,780	—
Loss on divestment and sale of non-operating assets	2,681	—
Results of entities not legally controlled	23	—
Other (income) expense, net	(915)	37
Change in fair value of derivative liabilities - warrants	(820)	—
Total adjustments	37,329	9,170
Adjusted EBITDA	**$ 105,544**	**$ 90,797**