THE MANAGEMENT'S DISCUSSION AND ANALYSIS FOR TRULIEVE CANNABIS CORP.

ARE ALSO INCLUDED IN THE FORM 10-Q FOR THE

QUARTER ENDED SEPTEMBER 30, 2022

FILED ON SEDAR ON NOVEMBER 9, 2022 IN ITS ENTIRETY

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Trulieve Cannabis Corp., together with its subsidiaries ("Trulieve," "the Company," "we," or "our") should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes included elsewhere within this Quarterly Report on Form 10-Q and the Audited Consolidated Financial Statements and the related Notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "Form 10-K"). There have been no material changes as of September 30, 2022 to the application of our critical accounting policies as described in Item 7 of the 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. See “Special Note Regarding Forward-Looking Statements and Projections” in “Part II. Other Information” of this report. You should consider our forward-looking statements in light of the risks discussed in “Item 1A. Risk Factors” in “Part II. Other Information” of this report and our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this report, the Form 10-K and our other filings with the Securities and Exchange Commission (the “SEC”).

Overview

We are a vertically integrated cannabis company and multi-state operator which currently holds licenses to operate in twelve states. 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 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. The Company discontinued its operations in Nevada during the third quarter of 2022. 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 September 30, 2022, we operated 176 dispensaries, with 120 dispensaries in Florida, 19 affiliated dispensaries in Pennsylvania, 19 dispensaries in Arizona, three dispensaries in California, three dispensaries in Maryland, three dispensaries in Massachusetts, eight dispensaries in West Virginia and one dispensary in Connecticut, and we operated cultivation and processing facilities in Arizona, Colorado, Florida, Georgia, Maryland, Massachusetts, Pennsylvania, and West Virginia.

As of September 30, 2022, we employed over 8,000 people, and we are committed to providing patients and adult use consumers, which we refer to herein as “customers,” a consistent and welcoming retail experience across Trulieve branded stores and affiliated retail locations. As of September 30, 2022, the majority of our revenue was generated from the sale of cannabis products in the State of Florida and to a lesser extent Arizona and the Commonwealth of Pennsylvania. To date, our operations in our California, Connecticut, Colorado, Georgia, Maryland, Massachusetts, Nevada, and West Virginia, have not 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 and September 30, 2022. 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 September 30, 2022, Trulieve operated cultivation and processing facilities across eight sites and 120 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 GA holds one of two Class 1 Production Licenses in the state and is permitted to cultivate cannabis for the manufacture and sale 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 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 September 30, 2022, we operate three retail dispensaries in Massachusetts, serving medical and adult use customers in Northampton and adult use customers in Worcester and Framingham. 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 eight dispensaries in West Virginia, supported by cultivation and processing operations in Huntington, West Virginia. As of September 30, 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 retail position with 19 dispensaries and six cultivation and/or processing sites as of September 30, 2022, 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 Arizona and Colorado serving the medical and adult use markets in each state.

Recent Developments

None.

Critical Accounting Estimates and Judgements

The preparation of the condensed consolidated financial statements with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in our condensed consolidated financial statements, include, but are not limited to, accounting for acquisitions and business combinations;

initial valuation and subsequent impairment testing of goodwill, other intangible assets and long-lived assets; leases; fair value of financial instruments, income taxes; inventory; share-based payment arrangements, and commitment and contingencies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

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, share-based compensation, 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 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 at the time the asset is placed in service. 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 disposal 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 products and the cost of producing products.

Results of Operations

Revenue

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change %	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change %
	(in thousands)			*(in thousands)*		
Revenues, net of discounts	$ 300,793	$ 224,092	34%	$ 937,612	$ 633,037	48%

Revenue for the three months ended September 30, 2022 increased by 34% or $76.7 million as compared to the three months ended September 30, 2021. Revenue for the nine months ended September 30, 2022 increased by 48% or $304.6 million as compared to the nine months ended September 30, 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 September 30, 2022	Three Months Ended September 30, 2021	Change %	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change %
	(in thousands)			*(in thousands)*		
Cost of goods sold	$ 132,760	$ 70,147	89%	$ 405,278	$ 199,345	103%
% of total revenues	44%	31%		43%	31%	

Cost of goods sold for the three months ended September 30, 2022 increased by 89% or $62.6 million as compared to the three months ended September 30, 2021. Cost of goods sold for the nine months ended September 30, 2022 increased by 103% or $205.9 million as compared to the nine months ended September 30, 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 in the three and nine months ended September 30, 2022 as compared to the three and nine months ended September 30, 2021. This increase was primarily due to increased depreciation related to capital expenditures to support business growth, new production facilities in existing markets where economies of scale are anticipated in the future, 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 September 30, 2022	Three Months Ended September 30, 2021	Change %	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change %
	(in thousands)			*(in thousands)*		
Gross profit	$ 168,033	$ 153,945	9%	$ 532,334	$ 433,692	23%
% of total revenues	56%	69%		57%	69%	

Gross profit for the three months ended September 30, 2022 increased by 9% or $14.1 million as compared to the three months ended September 30, 2021. Gross profit for the nine months ended September 30, 2022 increased by 23% or $98.6 million as compared to the nine months ended September 30, 2021. Gross profit as a percentage of revenue decreased due to increased wholesale business, which is generally lower margin than retail sales, increased depreciation related to capital expenditures to support business growth, new production facilities in where economies of scale are anticipated in the future, 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 Expense

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2022	2021	%	2022	2021	%
	(in thousands)			*(in thousands)*		
Sales and marketing expense	$75,915	$51,724	47%	$224,026	$142,858	57%
% of total revenues	25%	23%		24%	23%	

Sales and marketing expense for the three months ended September 30, 2022 increased by 47% or $24.2 million as compared to the three months ended September 30, 2021. Sales and marketing expense for the nine months ended September 30, 2022 increased by 57% or $81.2 million as compared to the nine months ended September 30, 2021. 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. Another factor in the increase in sales and marketing expenses is $5.3 million and $12.6 million related to the accrual of earn-outs related to the Watkins acquisition for the three and nine months ended September 30, 2022, respectively.

General and Administrative Expense

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2022	2021	%	2022	2021	%
	(in thousands)			*(in thousands)*		
General and administrative expense	$ 37,646	$ 28,223	33%	$104,840	$ 55,874	88%
% of total revenues	13%	13%		11%	9%	

General and administrative expense for the three months ended September 30, 2022 increased by 33% or $9.4 million as compared to the three months ended September 30, 2021. General and administrative expenses for the nine months ended September 30, 2022 increased by 88% or $49.0 million as compared to the nine months ended September 30, 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, as well as $10.0 million contributed to the Smart and Safe Florida campaign during the third quarter of 2022.

Depreciation and Amortization Expense

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2022	2021	%	2022	2021	%
	(in thousands)			*(in thousands)*		
Depreciation and amortization expense	$30,190	$ 7,728	291%	$88,645	$ 19,829	347%
% of total revenues	10%	3%		9%	3%	

Depreciation and amortization expense for the three months ended September 30, 2022 increased by 291% or $22.5 million as compared to the three months ended September 30, 2021. Depreciation and amortization expense for the nine months ended September 30, 2022 increased by 347% or $68.8 million as compared to the nine months ended September 30, 2021. The overall increase in depreciation and amortization expense was due to acquired facilities and intangible assets and investment in infrastructure for additional dispensaries and cultivation facilities.

Impairment and Disposal of Long-lived Assets, Net

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2022	2021	%	2022	2021	%
	(in thousands)			(in thousands)		
Impairment and disposal of long-lived assets, net	$52,035	$ (5)	>1000%	$70,151	$ (5)	>1000%
% of total revenues	17%	—		7%	—	

Impairment and disposal of long-lived assets, net for the three months ended September 30, 2022 increased by $52.0 million as compared to a nominal amount for the three months ended September 30, 2021. Impairment and disposal of long-lived assets, net for the nine months ended September 30, 2022 increased by $70.2 million as compared to a nominal amount for the nine months ended September 30, 2021. The increase in the current periods is primarily due to exited facilities and the repositioning of assets, primarily in our southeast hub.

Total Other Expense, Net

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2022	2021	%	2022	2021	%
	(in thousands)			(in thousands)		
Total other expense, net	$ 21,055	$ 6,056	248%	$ 57,176	$ 20,308	182%
% of total revenues	7%	3%		6%	3%	

Total other expense, net for the three months ended September 30, 2022 increased by 248% or $15.0 million as compared to the three months ended September 30, 2021. Total other expense, net for the nine months ended September 30, 2022 increased by 182% or $36.9 million as compared to the nine months ended September 30, 2021. The increase in both periods is primarily the result of an increase in interest expense related to additional finance leases and private placement notes to support business growth and loss on disposal of non-operational assets.

Provision for Income Taxes

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2022	2021	%	2022	2021	%
	(in thousands)			(in thousands)		
Provision for income taxes	$ 28,199	$ 41,603	-32%	$ 116,742	$ 105,254	11%

Income tax expense for the three months ended September 30, 2022, decreased by 32% or $13.4 million as compared to the three months ended September 30, 2021. Income tax expense for the nine months ended September 30, 2022, increased by 11% or $11.5 million as compared to the nine months ended September 30, 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. During the third quarter of the 2022, the Company adopted a more favorable tax position with respect to intercompany management fees based on an IRS position taken in audit of a similar businesses. This reduced tax expense in the quarter as compared to prior periods. For the nine-month period the increase in income tax expense is primarily due to the increase in gross profit as a result of increased revenue, partially offset by the more favorable tax position on intercompany management fees.

Net (Loss) Income

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change
	(in thousands)			(in thousands)		
Net (loss) income from continuing operations	$ (77,007)	$ 18,616	-514%	$ (129,246)	$ 89,574	-244%
Net (loss) income from discontinued operations, net of taxes	(38,065)	—	100%	(42,329)	—	100%
Net (loss) income	$ (115,072)	$ 18,616	-718%	$ (171,575)	$ 89,574	-292%
Less: Net loss and comprehensive loss attributable to non-controlling interest from continuing operations	(518)	—	100%	(2,555)	—	100%
Net (loss) income and comprehensive (loss) income attributable to common shareholders	$ (114,554)	$ 18,616	-715%	$ (169,020)	$ 89,574	-289%

Net loss and comprehensive loss attributable to common shareholders for the three months ended September 30, 2022 was $114.6 million a decrease of $133.2 million, from net income of $18.6 million for the three months ended September 30, 2021. Net loss and comprehensive loss attributable to common shareholders for the nine months ended September 30, 2022 was $169.0 million, a decrease of $258.6 million from net income of $89.6 million for the nine months ended September 30, 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, increased tax expense, and loss from discontinued operations.

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 $114.5 million as of September 30, 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 and costs related to the growth, manufacture, and production of our products. Our capital expenditures consist primarily of additional facilities and dispensaries and improvements in existing facilities.

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 condensed consolidated statements of cash flows include continuing operations and discontinued operations for the nine months ended September 30, 2022. There were no discontinued operations as of September 30, 2021.

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

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(in thousands)	
Net cash (used in) provided by operating activities	$ (31,914)	$ 75,080
Net cash used in investing activities	(179,003)	(237,642)
Net cash provided by financing activities	91,945	229,423
Net (decrease) increase in cash and cash equivalents	(118,972)	66,861
Cash, cash equivalents, and restricted cash, beginning of period	233,098	146,713
Cash, cash equivalents, and restricted cash, end of period	$ 114,468	$ 213,574

Cash Flow from Operating Activities

Net cash used in operating activities was $31.9 million for the nine months ended September 30, 2022, a decrease of $107.0 million as compared to $75.1 million net cash provided by operating activities during the nine months ended September 30, 2021. This is primarily due to the current net loss versus the prior year net income, increases in net working capital requirements, mainly inventory, and income tax payments made in the second and third quarter of 2022.

Cash Flow from Investing Activities

Net cash used in investing activities was $179.0 million for the nine months ended September 30, 2022, a decrease of $58.6 million, compared to the $237.6 million net cash used in investing activities for the nine months ended September 30, 2021. The primary use of cash in both periods was the purchase of property and equipment, with the prior period having significantly more purchases of property and equipment.

Cash Flow from Financing Activities

Net cash provided by financing activities was $91.9 million for the nine months ended September 30, 2022, a decrease of $137.5 million, compared to the $229.4 million net cash provided by financing activities for the nine months ended September 30, 2021. The decrease was primarily due to proceeds from shares issued pursuant to private placement in 2021 with the decrease partially offset by the net proceeds from private placement notes which closed in the first quarter of 2022.

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 its private placement of 8% Senior Secured Notes (the "2026 Notes - Tranche One") for aggregate gross proceeds of $350.0 million and net proceeds of $342.6 million. On January 28, 2022, the Company closed on a second tranche private placement of 8% Senior Secured Notes (the "2026 Notes - Tranche Two") for aggregate gross proceeds of $76.9 million and net proceeds of $75.6 million. These notes are collectively referred to as the "2026 Notes".

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 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 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.

Balance Sheet Exposure

As of September 30, 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 September 30, 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	$ 87,773	$ —	$ —	$ —	$ 87,773
Notes payable	$ 4,823	$ 695	$ 8	$ 7,239	$ 12,765
Private placement notes	$ —	$ 130,000	$ 425,000	$ —	$ 555,000
Operating lease liabilities	$ 21,434	$ 41,287	$ 39,417	$ 79,479	$ 181,617
Finance lease liabilities	$ 15,447	$ 29,446	$ 25,588	$ 48,456	$ 118,937
Construction finance liabilities	$ 23,331	$ 47,725	$ 49,382	$ 409,802	$ 530,240
Total	$ 152,808	$ 249,153	$ 539,395	$ 544,976	$ 1,486,332

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 a financial measure that is not in accordance with generally accepted accounting principles in the U.S., or GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. This non-GAAP financial measure should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with GAAP. Adjusted EBITDA is a financial measure that is not defined under GAAP. Our management uses this non-GAAP financial measure and believes it enhances an investor's understanding of our financial and operating performance from period to period because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of our ongoing operations and performance. 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 such as contributions to specific initiative campaigns (such as Smart and Safe Florida), expenses related to the COVID-19 pandemic, impairments and disposals of long-lived assets, the results of entities consolidated as variable interest entities ("VIEs") but not legally controlled and operated by the Company, discontinued operations, 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 September 30, 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 measure noted above is a metric that has been adjusted from the GAAP net income measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure.

As noted above, our Adjusted EBITDA is not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net income, which is the most directly comparable financial measure calculated and presented in accordance with GAAP. Because of these limitations, we consider, and you should consider, Adjusted EBITDA together with other operating and financial performance measures presented in accordance with GAAP. A reconciliation of 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 September 30,			Nine Months Ended September 30,		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
	(in thousands)			*(in thousands)*		
Adjusted EBITDA	$ 98,764	$ 98,034	1%	$ 315,482	$ 283,702	11%

Adjusted EBITDA for the three months ended September 30, 2022 increased by 1% as compared to the three months ended September 30, 2021. Adjusted EBITDA for the nine months ended September 30, 2022 increased by 11% or $31.8 million as compared to the nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		*(in thousands)*	
Net (loss) income and comprehensive (loss) income attributable to common shareholders	$ (114,554)	$ 18,616	$ (169,020)	$ 89,574
Add impact of:				
Interest expense	19,264	6,145	56,815	20,693
Provision for income taxes	28,199	41,603	116,742	105,254
Depreciation and amortization	30,190	7,728	88,645	19,829
Depreciation included in cost of goods sold	14,610	5,709	39,092	14,396
EBITDA	(22,291)	79,801	132,274	249,746
Impairment and disposal of long-lived assets, net	52,035	—	70,151	—
Discontinued operations	38,065	—	42,329	—
Acquisition and transaction costs	6,961	11,114	17,227	14,335
Integration and transition costs	6,719	838	17,122	2,725
Other non-recurring costs	1,869	235	11,557	1,622
Share-based compensation and related premiums	4,292	4,922	14,559	6,407
Legislative campaign contributions	10,000	—	10,000	—
Impairment and disposal of non-operating assets, net	2,604	—	6,004	—
Inventory step up, fair value	—	710	1,048	3,238
COVID related expenses	199	503	796	6,014
Other income (expense), net	(448)	(89)	(3,016)	(385)
Change in fair value of derivative liabilities - warrants	(365)	—	(2,627)	—
Results of entities not legally controlled	(876)	—	(1,942)	—
Total adjustments	121,055	18,233	183,208	33,956
Adjusted EBITDA	$ 98,764	$ 98,034	$ 315,482	$ 283,702

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risk disclosures as set forth in Part II Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures.

Material Weakness in Internal Control Over Financial Reporting

Evaluation of Internal Controls Over Financial Reporting

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal accounting officer, as appropriate to allow timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management of the Company, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2022. Our Chief Executive Officer and Chief Financial Officer have concluded that we did not maintain effective disclosure controls and procedures due to a material weakness in our internal control over financial reporting, as further described below.