

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to  
Commission File Number: 000-56248



TRULIEVE CANNABIS CORP.

(Exact Name of Registrant as Specified in its Charter)

British Columbia  
(State or other jurisdiction of  
incorporation or organization)  
6749 Ben Bostic Road  
Quincy, FL  
(Address of principal executive offices)

84-2231905  
(I.R.S. Employer  
Identification No.)

32351  
(Zip Code)

Registrant's telephone number, including area code: (850) 480-7955

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 3, 2022, the registrant had 159,645,155 Subordinate Voting Shares and 26,235,054 Multiple Voting Shares (on an as converted basis) outstanding.

# Trulieve Cannabis Corp.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical facts may be deemed to be forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, results of operations and future growth prospects. The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning receipt and/or maintenance of required licenses and third party consents and the success of our operations, are based on estimates prepared by us using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry that we believe to be reasonable. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and discussed elsewhere in this Quarterly Report on Form 10-Q and in “Part I, Item 1A – Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this Quarterly Report on Form 10-Q.

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Trulieve Cannabis Corp.**  
**Condensed Consolidated Balance Sheets (Unaudited)**  
*(in thousands, except per share data)*

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 114,468	\$ 230,085
Restricted cash	—	3,013
Accounts receivable, net	11,309	8,563
Inventories, net	301,239	209,943
Notes receivable - current portion	715	1,530
Prepaid expenses and other current assets	62,068	68,145
Assets associated with discontinued operations	2,838	3,615
Total current assets	<u>492,637</u>	<u>524,894</u>
Property and equipment, net	795,506	779,413
Right of use assets - operating, net	100,864	111,723
Right of use assets - finance, net	75,305	66,764
Intangible assets, net	1,027,058	1,081,240
Goodwill	791,495	765,358
Notes receivable, net	12,059	12,147
Other assets	21,531	17,640
Long-term assets associated with discontinued operations	4,503	52,167
<b>TOTAL ASSETS</b>	<u>\$ 3,320,958</u>	<u>\$ 3,411,346</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	87,773	93,801
Income tax payable	4,681	28,084
Deferred revenue	6,385	7,168
Notes payable - current portion, net	4,823	10,052
Operating lease liabilities - current portion	10,779	10,020
Finance lease liabilities - current portion	8,719	6,185
Construction finance liabilities - current portion	1,137	991
Contingencies	25,590	13,017
Liabilities associated with discontinued operations	390	92
Total current liabilities	<u>150,277</u>	<u>169,410</u>
Long-term liabilities:		
Notes payable	7,942	6,456
Private placement notes, net	540,301	462,929
Warrant liabilities	268	2,895
Operating lease liabilities	110,625	107,570
Finance lease liabilities	75,011	65,244
Construction finance liabilities	182,257	175,198
Deferred tax liabilities	220,206	241,882
Other long-term liabilities	8,616	8,400
Long-term liabilities associated with discontinued operations	14,575	23,989
<b>TOTAL LIABILITIES</b>	<u>1,310,078</u>	<u>1,263,973</u>
Commitments and contingencies (see Note 22)		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, no par value; unlimited shares authorized. 185,880,209 issued and outstanding as of September 30, 2022 and 180,504,172 issued and outstanding as of December 31, 2021.		
	—	—
Additional paid-in-capital	2,041,748	2,008,100
Accumulated (deficit) earnings	(31,299)	137,721
Non-controlling interest	431	1,552
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>2,010,880</u>	<u>2,147,373</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 3,320,958</u>	<u>\$ 3,411,346</u>

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

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2022</u>	<u>September 30, 2021</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Revenues, net of discounts	\$ 300,793	\$ 224,092	\$ 937,612	\$ 633,037
Cost of goods sold	132,760	70,147	405,278	199,345
Gross profit	168,033	153,945	532,334	433,692
Expenses:				
Sales and marketing	75,915	51,724	224,026	142,858
General and administrative	37,646	28,223	104,840	55,874
Depreciation and amortization	30,190	7,728	88,645	19,829
Impairment and disposal of long-lived assets, net	52,035	(5)	70,151	(5)
Total expenses	195,786	87,670	487,662	218,556
(Loss) Income from operations	(27,753)	66,275	44,672	215,136
Other income (expense):				
Interest expense, net	(19,264)	(6,145)	(56,815)	(20,693)
Change in fair value of derivative liabilities - warrants	365	—	2,627	—
Impairment and disposal of non-operating assets, net	(2,604)	—	(6,004)	—
Other income (expense), net	448	89	3,016	385
Total other expense	(21,055)	(6,056)	(57,176)	(20,308)
(Loss) Income before provision for income taxes	(48,808)	60,219	(12,504)	194,828
Provision for income taxes	28,199	41,603	116,742	105,254
Net (loss) income from continuing operations and comprehensive (loss) income	(77,007)	18,616	(129,246)	89,574
Net loss from discontinued operations, net of tax benefit of \$12,981, \$ - , \$14,439, and \$-, respectively	(38,065)	—	(42,329)	—
Net (loss) income	(115,072)	18,616	(171,575)	89,574
Less: Net loss and comprehensive loss attributable to non-controlling interest from continuing operations	(518)	—	(2,555)	—
Net (loss) income and comprehensive (loss) income attributable to common shareholders	<u>\$ (114,554)</u>	<u>\$ 18,616</u>	<u>\$ (169,020)</u>	<u>\$ 89,574</u>
Net (loss) income per share - Continuing operations:				
Basic	\$ (0.41)	\$ 0.15	\$ (0.68)	\$ 0.73
Diluted	\$ (0.41)	\$ 0.14	\$ (0.68)	\$ 0.68
Net loss per share - Discontinued operations:				
Basic and diluted	\$ (0.20)	—	\$ (0.23)	—
Weighted average number of common shares used in computing net (loss) income per share:				
Basic	<u>188,597,094</u>	<u>128,146,298</u>	<u>187,549,359</u>	<u>122,983,729</u>
Diluted	<u>188,597,094</u>	<u>136,909,266</u>	<u>187,549,359</u>	<u>130,927,083</u>

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

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

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in- Capital	Accumulated (Deficit) Earnings	Non- Controlling Interest	Total
<b>Balance, January 1, 2022 (audited)</b>	—	51,916,999	128,587,173	180,504,172	2,008,100	137,721	1,552	2,147,373
Share-based compensation	—	—	—	—	4,564	—	—	4,564
Exercise of stock options	—	—	45,775	45,775	108	—	—	108
Shares issued for cash - warrant exercise	—	—	1,648	1,648	22	—	—	22
Shares issued under share compensation plans	—	—	16,257	16,257	—	—	—	-
Tax withholding related to net share settlements of equity awards	—	—	(10,005)	(10,005)	(230)	—	—	(230)
Conversion of Multiple Voting to Subordinate Voting Shares	—	(2,699,100)	2,699,100	—	—	—	—	—
Shares issued for PurePenn, Pioneer, and Solevo earnouts	—	—	3,626,295	3,626,295	—	—	—	—
Distribution	—	—	—	—	—	—	(50)	(50)
Divestment of variable interest entity	—	—	—	—	—	—	(111)	(111)
Net loss and comprehensive loss	—	—	—	—	—	(31,975)	(507)	(32,482)
<b>Balance, March 31, 2022</b>	—	49,217,899	134,966,243	184,184,142	2,012,564	105,746	884	2,119,194
Share-based compensation	—	—	—	—	5,703	—	—	5,703
Exercise of Stock options	—	—	2,997	2,997	—	—	—	—
Shares issued for cash - warrant exercise	—	—	1,426,614	1,426,614	19,216	—	—	19,216
Subordinate Voting Shares issued under share compensation plans	—	—	24,444	24,444	—	—	—	—
Conversion of Multiple Voting to Subordinate Voting Shares	—	(13,091,800)	13,091,800	—	—	—	—	—
Net loss and comprehensive loss	—	—	—	—	—	(22,491)	(1,530)	(24,021)
<b>Balance, June 30, 2022</b>	—	36,126,099	149,512,098	185,638,197	2,037,483	83,255	(646)	2,120,092
Share-based compensation	—	—	—	—	4,292	—	—	4,292
Exercise of stock options	—	—	5,655	5,655	48	—	—	48
Tax withholding related to net share settlements of equity awards	—	—	(399)	(399)	(75)	—	—	(75)
Conversion of Multiple Voting to Subordinate Voting Shares	—	(9,891,045)	9,891,045	—	—	—	—	—
Release of escrow shares	—	—	236,756	236,756	—	—	—	—
Measurement period adjustment for Harvest Health and Recreation, Inc.	—	—	—	—	—	—	1,595	1,595
Net loss and comprehensive loss	—	—	—	—	—	(114,554)	(518)	(115,072)
<b>Balance, September 30, 2022</b>	—	26,235,054	159,645,155	185,880,209	2,041,748	(31,299)	431	2,010,880

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

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in- Capital	Accumulated Earnings	Non- Controlling Interest	Total
<b>Balance, January 1, 2021 (audited)</b>	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
<b>Balance, March 31, 2021</b>	58,182,500	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 private placement, 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
<b>Balance, June 30, 2021</b>	58,182,500	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
<b>Balance, September 30, 2021</b>	58,182,500	54,919,596	74,611,611	129,531,207	613,379	209,264	—	822,643

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

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

	<b>Nine Months Ended September 30, 2022</b>	<b>Nine Months Ended September 30, 2021</b>
<b>Cash flow from operating activities</b>		
Net (loss) income and comprehensive (loss) income	(171,575)	\$ 89,574
Adjustments to reconcile net (loss) income and comprehensive (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	91,049	19,829
Depreciation included in cost of goods sold	39,119	14,396
Non-cash interest expense	4,009	2,313
Non-cash interest income	(394)	—
Impairment and disposal of long-lived assets, net	70,151	(5)
Impairment and disposal of non-operating assets, net	6,004	—
Amortization of operating lease right of use assets	8,443	3,216
Share-based compensation	14,559	2,217
Accretion of construction finance liabilities	1,044	1,097
Change in fair value of derivative liabilities - warrants	(2,627)	—
Non-cash change in contingencies	16,609	—
Allowance for credit losses	—	—
Deferred income tax expense	(34,855)	(2,111)
Loss from disposal of discontinued operations	49,069	—
Changes in operating assets and liabilities:		
Inventories	(87,173)	(33,796)
Accounts receivable	(5,150)	(8,179)
Prepaid expenses and other current assets	5,773	(9,412)
Other assets	(4,397)	(4,509)
Accounts payable and accrued liabilities	1,838	17,853
Income tax payable	(24,615)	(12,745)
Operating lease liabilities	(7,205)	(1,906)
Deferred revenue	(782)	(3,096)
Contingencies	(4,035)	—
Other long-term liabilities	865	344
<b>Net cash (used in) provided by operating activities</b>	<b>(31,914)</b>	<b>75,080</b>
<b>Cash flow from investing activities</b>		
Purchases of property and equipment	(130,422)	(190,907)
Purchases of property and equipment related to construction finance liabilities	(13,247)	(8,877)
Capitalized interest	(3,994)	(4,355)
Acquisitions, net of cash acquired	(27,781)	(29,924)
Purchases of internal use software	(7,281)	(3,587)
Cash paid for license	(1,855)	—
Proceeds from sale of property and equipment	502	8
Proceeds from sale of variable interest entity	1,604	—
Proceeds from sale of held for sale assets	2,173	—
Proceeds received from notes receivable	1,298	—
<b>Net cash used in investing activities</b>	<b>(179,003)</b>	<b>(237,642)</b>
<b>Cash flow from financing activities</b>		
Proceeds from private placement notes, net of discounts	75,635	—
Proceeds from notes payable	1,080	—
Proceeds from construction finance liabilities	7,047	8,877
Proceeds from warrant exercises	19,238	7,672
Proceeds from shares issued pursuant to private placement, net of issuance costs	-	217,896
Proceeds from stock option exercises	156	—
Payments on notes payable	(2,687)	—
Payments on private placement notes	(1,874)	—
Payments on finance lease obligations	(5,215)	(4,024)
Payments on construction finance liabilities	(891)	—
Payments for debt issuance costs	(189)	—
Payments on notes payable - related party	-	(11)
Payments for taxes related to net share settlement of equity awards	(305)	(987)
Distributions	(50)	—
<b>Net cash provided by financing activities</b>	<b>91,945</b>	<b>229,423</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(118,972)</b>	<b>66,861</b>
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	<b>233,098</b>	<b>146,713</b>
Cash and cash equivalents of discontinued operations, beginning of period	561	—
Less: cash and cash equivalents of discontinued operations, end of period	(219)	—
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>114,468</b>	<b>\$ 213,574</b>



**Trulieve Cannabis Corp.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)**  
*(in thousands)*

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>Supplemental disclosure of cash flow information</b>		
<b>Cash paid during the period for</b>		
Interest	\$ 42,339	\$ 22,653
Income taxes, net of refunds	\$ 161,717	\$ 120,365
<b>Other noncash investing and financing activities</b>		
ASC 842 lease additions - operating and finance leases	\$ 28,352	\$ 43,748
Purchases of property and equipment in accounts payable and accrued liabilities	\$ 7,266	\$ 16,148
Measurement period adjustment for Harvest Health and Recreation, Inc.	\$ 1,595	\$ —
Value of shares issued for acquisitions	\$ —	\$ 57,452
Value of shares reserved for PurePenn, LLC and Solevo Wellness acquisitions	\$ —	\$ (2,800)

\*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 accompanying notes are an integral part of these condensed consolidated financial statements.

**Trulieve Cannabis Corp.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 1. NATURE OF BUSINESS**

Trulieve Cannabis Corp. together with its subsidiaries (“Trulieve”, the “Company”) was incorporated in British Columbia, Canada. Trulieve is a vertically integrated cannabis company which, as of September 30, 2022, held licenses to operate in Florida, California, Connecticut, Pennsylvania, Massachusetts, West Virginia, Arizona, Colorado, Maryland, Nevada, Ohio, and Georgia, to cultivate, produce, and sell medicinal-use cannabis products, and with respect to Arizona, California, Colorado, Massachusetts, and Nevada, adult-use cannabis products.

In addition to the States listed above, the Company also conducts activities in other markets. In these markets, the Company has either applied for licenses, plans on applying for licenses, or partners with other entities, but does not currently directly own any cultivation, production, or retail licenses.

In July 2022, the Company discontinued operations in Nevada. While we have classified the operations as discontinued, we still hold a license to operate in the state as of September 30, 2022.

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

The Company’s principal address is located in Quincy, Florida. The Company’s registered office is located in British Columbia. The Company's operations are substantially located in Florida and to a lesser extent Arizona and Pennsylvania.

The Company is listed on the Canadian Securities Exchange (the “CSE”) and began trading on September 25, 2018, under the ticker symbol “TRUL” and trades on the OTCQX market under the symbol “TCNNF”.

## **NOTE 2. BASIS OF PRESENTATION**

### *Principles of consolidation*

The accompanying condensed consolidated financial statements include the financial position and operations of Trulieve Cannabis Corp. and its subsidiaries. The condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and include the assets, liabilities, revenues, and expenses of all wholly-owned subsidiaries and variable interest entities ("VIEs") for which the Company has determined that it is the primary beneficiary. Outside shareholders' interests in subsidiaries are shown in the condensed consolidated financial statements as non-controlling interests. Material intercompany balances and transactions are eliminated in consolidation. In management's opinion, the condensed consolidated financial statements include all adjustments of a normal recurring nature necessary to fairly present the Company's financial position as of September 30, 2022, and the results of its operations and cash flows for the periods ended September 30, 2022 and September 30, 2021. The results of the Company's operations for the nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full 2022 fiscal year.

In July 2022, the Company discontinued its Nevada operations. This action represents a strategic shift in our business and therefore, the related assets and liabilities associated with the Nevada operations are classified as held for discontinued operations in our consolidated balance sheet and the results of the Nevada operations have been presented as discontinued operations in our condensed consolidated statements of operations and comprehensive (loss) income for all periods presented.

Unless specifically noted otherwise, footnote disclosures reflect the results of continuing operations only. The results of discontinued operations are presented in *Note 18. Discontinued Operations*.

The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2021, as reported in the 2021 Annual Report on Form 10-K.

### *Basis of Measurement*

These condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

### *Functional Currency*

The functional currency of the Company and its subsidiaries, as determined by management, is the United States ("U.S.") dollar. These condensed consolidated financial statements are presented in U.S. dollars.

### *Reclassifications*

Certain reclassifications have been made to the consolidated financial statements of prior periods and the of accompanying notes to conform to the current period presentation.

## **NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies are more fully described in *Note 3. Summary of Significant Accounting Policies* in the consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission ("SEC") on March 30, 2022 (the "2021 Form 10-K"). There have been no material changes to the Company's significant accounting policies.

### *Critical accounting estimates and judgments*

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 the 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.

### *Cash and Cash Equivalents*

The Company considers cash deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash deposits in financial institutions plus cash held at retail locations. Cash held in money market investments are carried at market value which approximates fair value and cash held in financial institutions and held at retail locations, have carrying values that approximate fair value.

### *Restricted Cash*

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2021, restricted cash was \$3.0 million, which represented cash consideration set aside in relation to amounts held for a pending legal dispute. The restriction on this cash was released in January 2022 as the litigation was settled in December 2021. There was no restricted cash as of September 30, 2022.

### *Held for sale*

The Company classifies long-lived assets or disposal groups and related liabilities as held-for-sale when management having the appropriate authority, generally the Company's Board of Directors ("the Board") or certain Executive Officers, commits to a plan of sale, the disposal group is ready for immediate sale, an active program to locate a buyer has been initiated and the sale is probable and expected to be completed within one year. Once classified as held-for-sale, disposal groups are valued at the lower of their carrying amount or fair value less estimated selling costs. Depreciation on these properties is discontinued at the time they are classified as held for sale, but operating revenues, operating expenses and interest expense continue to be recognized until the date of disposal.

As of September 30, 2022, the Company had \$9.6 million in assets held for sale which is recorded in prepaids and other current assets in the condensed consolidated balance sheets, and primarily consists of property and equipment, and leases and related liabilities. As of December 31, 2021, the Company had \$8.7 million in net assets held for sale which is recorded in prepaid expenses and other current assets in the consolidated balance sheets, and primarily consisted of property and equipment, leases and related liabilities, and a note payable.

During the three months ended September 30, 2022, the Company recorded an impairment of \$2.5 million related to a held for sale property acquired through acquisition. The impairment was recorded in impairment and disposal of non-operating assets, net in the condensed consolidated statement of operations and comprehensive (loss) income. During the three months ended September 30, 2022, the Company reclassified approximately \$2.3 million of property and equipment to held for sale in the Southwest.

During the nine months ended September 30, 2022, the Company settled net assets of \$3.3 million, sold property held for sale for \$2.0 million in proceeds, sold land held for sale for \$0.2 million in proceeds, recorded an impairment of \$2.5 million, and recorded a loss on disposal of \$2.6 million, which is recorded in impairment and disposal of non-operating assets, net in the condensed consolidated statement of operations and comprehensive (loss) income.

### *Discontinued operations*

The Company classifies a component of an entity that has been or is to be disposed of, either by sale, abandonment, or other means, as discontinued operations when it represents a strategic shift in the Company's operations. A component of an entity is identified as operations and cash flows that can be clearly distinguished, operationally and financially, from the rest of the entity.

### *Recently Issued Accounting Pronouncements*

Recent accounting pronouncements, other than those below, issued by the Financial Accounting Standards Board ("FASB"), the AICPA ("American Institute of Certified Public Accountants") and the SEC did not or are not believed by management to have a material effect on the Company's present or future financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers ("Topic 606") rather than adjust them to fair value at the acquisition date. The Company elected to early adopt this accounting standard in the fourth quarter of 2021, with retrospective application to business combinations that occurred in fiscal year 2021. Results of operations for quarterly periods prior to September 30, 2021 remain unchanged as a result of the adoption of ASU No. 2021-08. The acquisitions of Harvest Health and Recreation Inc. and Purplemed Healing Center were accounted for in accordance with ASU 2021-

08, as will all future acquisitions. Refer to *Note 4. Acquisitions* for further information. The adoption of this standard did not have a material impact on the consolidated financial statements.

#### NOTE 4. ACQUISITIONS

##### (a) Greenhouse Wellness WV Dispensaries, LLC

On April 26, 2022, the Company acquired 100% of the membership interests of Greenhouse Wellness WV Dispensaries, LLC ("Greenhouse WV") the holder of a West Virginia dispensary permit and a lease for a not yet operating dispensary location. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Greenhouse WV did not meet the definition of a business as Greenhouse WV did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the transaction 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. Total consideration was \$0.3 million consisting of cash.

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

<i>(in thousands)</i>	
Consideration:	
Cash	\$ 281
Fair value of consideration exchanged	<u>\$ 281</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Right of use asset - operating	\$ 170
Intangible asset	270
Favorable lease interest	11
Operating lease liabilities	<u>(170)</u>
Total net assets acquired	<u>\$ 281</u>

The acquired intangible assets includes a dispensary license which is treated as a definite-lived intangible asset amortized over a 15-year useful life and a favorable lease interest which was fully amortized in the period of acquisition due to useful life and materiality considerations.

##### (b) CP4 Group, LLC

On February 14, 2022, the Company acquired a cultivation operation from CP4 Group, LLC, in Phoenix, Arizona ("Watkins"). Total consideration was \$27.5 million paid in cash. An additional \$22.5 million was paid into escrow for four potential earnouts. The earnouts are based on the completion of certain milestones and contingent on the continued employment of the key employee shareholders ("Key Employees") of Watkins. As the earnouts are contingent on the continued employment of the Key Employees, the \$22.5 million is compensation for post-combination services. The Company will accrue the compensation cost for each earnout as it becomes probable and estimable and over the most probable period of continued employment required for the specific earnouts.

The Company reviewed the potential earnouts concluding three are probable and estimable as of September 30, 2022, recording an accrual of \$12.6 million in contingencies in the condensed consolidated balance sheets. During the three months ended September 30, 2022 the Company recorded \$5.3 million of expense related to potential earnouts. During the nine months ended September 30, 2022, the Company expensed \$12.6 million related to potential earnouts. This is recorded in sales and marketing expenses in the condensed consolidated statements of operations and comprehensive (loss) income. No liability was recorded for the fourth earnout as it was concluded to be reasonably possible but not probable as of September 30, 2022. The earnouts are evaluated on a quarterly basis. The Company incurred \$0.2 million of transaction costs related to the acquisition of Watkins. These costs were expensed as incurred and included in general and administrative expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the quarter ended March 31, 2022. No additional transaction costs have been incurred.

The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Watkins met the definition of a business as Watkins is an existing cultivation facility with inputs, processes, and outputs in place that constitute a business under Topic 805. As a result, the acquisition of Watkins has been accounted for as a business combination. Goodwill represents the premium the Company paid over the fair value of the net identifiable tangible assets acquired. The primary reason for the acquisition was to expand the Company's cultivation capacity in Arizona. The goodwill of

\$24.5 million arising from the acquisition primarily consists of the economies of scale expected from a vertical cannabis market in Arizona.

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

<i>(in thousands)</i>	
Consideration	
Cash	\$ 27,500
Fair value of consideration exchanged	<u>\$ 27,500</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Inventories	\$ 2,266
Property and equipment	692
Right of use asset - operating	4,737
Goodwill	24,542
Operating lease liability	(4,737)
Total net assets acquired	<u>\$ 27,500</u>

### (c) Purplemed Healing Center

On December 28, 2021, the Company acquired 100% of certain assets of Purplemed Healing Center ("Purplemed") including the Medical Marijuana Dispensary License issued by the Arizona Department of Health Services ("ADHS") and the Marijuana Establishment License issued by the ADHS which collectively serve as the Purplemed license providing the ability to operate a marijuana retail sales dispensary as well as the assumption of the associated lease. The Company also acquired the right to operate an additional offsite cultivation business under the Arizona Adult Use Marijuana Act, and the option to purchase full ownership and management of Greenmed, Inc., the Greenmed license, and the Greenmed dispensary. As part of the transaction, the Company assumed the Purplemed loyalty program.

The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Purplemed did not meet the definition of a business as Purplemed did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the acquisition of Purplemed 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. The total consideration was \$15.0 million consisting of cash. The acquisition provided for indemnity for pre-closing liabilities. Accordingly, the Company recognized an indemnification asset of \$0.5 million offset by associated liabilities based on the information that was available at the date of the acquisition, which is included in the net assets acquired.

The net assets were acquired for an aggregate purchase price of \$15.0 million.

<i>(in thousands)</i>	
Consideration:	
Cash	\$ 15,000
Transaction costs	12
Fair value of consideration exchanged	<u>\$ 15,012</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Prepaid expenses and other current assets	\$ 531
Right of use asset - operating	271
Intangible asset	15,076
Other current liabilities	(531)
Deferred revenue	(109)
Operating lease liability	(226)
Total net assets acquired	<u>\$ 15,012</u>

The acquired intangible asset includes a dispensary license which is treated as a definite-lived intangible asset amortized over a 15-year useful life.

**(d) Harvest Health & Recreation Inc.**

On October 1, 2021, (the “Closing Date”), the Company acquired 100% of the common shares of Harvest Health & Recreation, Inc. (“Harvest”) and its portion of VIEs in exchange for Subordinate Voting Shares of the Company (the “Harvest Transaction”).

Harvest was one of the largest multi-state vertically integrated operators in the cannabis industry in the United States operating from “seed to sale.” Harvest operated facilities or provided services to cannabis dispensaries in Arizona, California, Colorado, Florida, Maryland, Nevada, and Pennsylvania, with two provisional licenses in Massachusetts. In addition, Harvest owned CO2 extraction, distillation, purification, and manufacturing technology used to produce a line of cannabis topicals, vapes, and gems featuring cannabinoids.

Total consideration was \$1.4 billion consisting of Trulieve Subordinate Voting Shares (“Trulieve Shares”) with a fair value of \$1.37 billion, stock options, equity classified warrants, restricted stock units and other outstanding equity instruments with a fair value of \$18.4 million, and warrant liabilities convertible into equity with a fair value of \$3.1 million at the time of the Harvest Transaction. The Company incurred \$13.0 million in transaction costs related to the acquisition of Harvest as of December 31, 2021. No additional transaction costs have been incurred.

The acquisition was accounted for as a business combination in accordance with Accounting Standards Codification (ASC) 805, Business Combinations. Goodwill represents the premium the Company paid over the fair value of the net identifiable tangible and intangible assets acquired. The primary reason for the acquisition was to expand the Company’s retail and cultivation footprint and gain access to new markets. The goodwill of \$663.7 million arising from the acquisition primarily consisted of the synergies and economies of scale expected from combining the operations of Trulieve and Harvest including growing the Company's customer base, acquiring assembled workforces, and expanding its presence in new and existing markets. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

<i>(in thousands)</i>	
Consideration:	
Trulieve Subordinated Voting Shares	\$ 1,369,024
Fair value of other equity instruments	18,394
Fair value of warrants classified as liabilities	<u>3,103</u>
Fair value of consideration exchanged	<u>\$ 1,390,521</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 85,318
Restricted cash	3,072
Accounts receivable	3,645
Inventories	92,537
Prepaid expenses and other current assets	100,129
Notes receivable	9,805
Property and equipment	191,801
Right of use assets - operating	73,476
Intangible assets:	
Dispensary license	946,000
Trademarks	27,430
Customer relationships	3,500
Other assets	5,289
Accounts payable and accrued liabilities	(58,887)
Income tax payable	(24,863)
Deferred revenue	(4,523)
Operating lease liabilities	(76,558)
Contingencies	(26,599)
Notes payable	(285,238)
Construction finance liabilities	(79,683)
Other long-term liabilities	(1,085)
Deferred tax liabilities	<u>(253,986)</u>
	\$ 730,580
Non-controlling interest	\$ (3,734)
Goodwill	663,675
Total net assets acquired	<u>\$ 1,390,521</u>

The acquired intangible assets include dispensary licenses which are treated as definite-lived intangible assets amortized over a 15-year useful life, tradenames amortized over a one-to five-year useful life, and customer relationships amortized over a one-year period.

On acquisition date there was consideration in the form of 1,266,641 stock options (as converted) that had been issued before the acquisition date to employees and non-employees of Harvest. The pre-combination fair value of these awards was \$6.2 million. There was consideration in the form of 1,011,095 warrants (1,009,416 equity classified Subordinate Voting Share warrants and 1,679 liability classified Multiple Voting Share warrants, as converted) that had been issued before the acquisition date to employees and non-employees of Harvest. The pre-combination fair value of these awards was \$7.7 million with \$4.6 million representing the equity classified warrants and \$3.1 million representing the liability classified warrants. There was consideration in the form of restricted stock units that had been issued before the acquisition date to non-employees of Harvest which vested for services performed pre-combination, representing 18,297 Subordinate Voting Share, with a pre-combination fair value of \$0.5 million. There



was additional consideration in the form of other outstanding equity instruments issued before the acquisition date to non-employees which had a pre-combination fair value of \$7.1 million.

As part of the acquisition, Harvest entered into a sale agreement to sell their Florida cannabis license for \$55.0 million where Trulieve was legally prohibited from holding this license and the sale occurred simultaneously with the Harvest Transaction. Therefore, a \$55.0 million receivable for the sale proceeds was acquired. The funds were received subsequent to the closing of the Harvest Transaction on October 1, 2021.

During the third quarter of 2022, the Company finalized the accounting for non-controlling interests, on the acquired entities, which resulted in a measurement period adjustment increasing non-controlling interests and goodwill by \$1.6 million.

*Supplemental pro forma information (unaudited)*

The unaudited pro forma information for the periods set forth below gives effect to the acquisition of Harvest Health & Recreation Inc. and Keystone Shops, as if the acquisitions had occurred on January 1, 2021. This pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the transactions been consummated as of that time nor does it purport to be indicative of future financial operating results.

Proforma net revenues for the three-and-nine months ending September 30, 2021 are \$315.9 million and \$926.9 million, respectively. Proforma net income and comprehensive income attributable to common shareholders for the three-and-nine months ending September 30, 2021 are \$9.6 million and \$24.9 million, respectively.

Unaudited pro forma net income reflects the elimination of sales between the companies, and adjustments for alignment of significant differences in accounting principles and elections.

**(e) 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 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 Pennsylvania. No liability was recorded for this contingent consideration, as it was not estimated to be probable at the time of acquisition nor as of September 30, 2022. The acquisition was accounted for as a business combination in accordance with 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.

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

<i>(in thousands)</i>	
Consideration:	
Cash	\$ 20,251
Shares issued upon acquisition	35,385
Fair value of consideration exchanged	<u>\$ 55,636</u>
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	39,703
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	(8,994)
Total net assets acquired	<u>\$ 55,636</u>

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.

**(f) 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. Total consideration was \$16.2 million consisting of \$7.0 million in cash and 237,881 in Trulieve Shares, with a fair value of \$9.1 million, and less than \$0.1 million in transaction costs.

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

<i>(in thousands)</i>	
Consideration:	
Cash	\$ 7,000
Shares issued upon acquisition	9,139
Transaction costs	23
Fair value of consideration exchanged	<u>\$ 16,162</u>
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	15,274
Accounts payable and accrued liabilities	(335)
Finance lease liability	(594)
Total net assets acquired	<u>\$ 16,162</u>

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.

**(g) 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 exchanged 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.

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

<i>(in thousands)</i>	
Consideration:	
Shares issued upon acquisition	\$ 10,012
Transaction costs	18
Fair value of consideration exchanged	<u>\$ 10,030</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Right of use asset - finance	\$ 1,756
Intangible asset	10,594
Finance lease liabilities	(2,320)
Total net assets acquired	<u>\$ 10,030</u>

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.

**(h) 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. Total consideration was \$0.8 million consisting of \$0.2 million in cash, 11,658 in Trulieve Shares with a 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 \$0.8 million, which are treated as definite-lived intangible assets amortized over a 15-year useful life.

**(i) 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. Total consideration was \$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 \$5.5 million of acquired assets which are treated as definite-lived intangible assets and amortized over a 15-year useful life.

**NOTE 5. ACCOUNTS RECEIVABLE**

As of September 30, 2022 and December 31, 2021, Accounts receivable, net consisted of the following:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<i>(in thousands)</i>	
Trade receivables	\$ 14,130	\$ 9,068
Less: allowance for credit losses	(2,821)	(505)
Accounts receivable, net	<u>\$ 11,309</u>	<u>\$ 8,563</u>

**NOTE 6. NOTES RECEIVABLE**

As of September 30, 2022 and December 31, 2021, Notes receivable, net consisted of the following:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<i>(in thousands)</i>	
Promissory note acquired from Harvest maturing in November 2025. Secured by certain assets.	\$ 8,379	\$ 8,827
Convertible note receivable dated November 2021 maturing in November 2024.	4,490	4,124
Promissory notes acquired from Harvest maturing in February 2022. Secured by certain assets.	—	850
Notes receivable	12,869	13,801
Less: discount on notes receivable	(95)	(124)
Total notes receivable, net of discounts	12,774	13,677
Less: current portion of notes receivable	(715)	(1,530)
Notes receivable	<u>\$ 12,059</u>	<u>\$ 12,147</u>

In October 2021, the Company acquired a note receivable with the Harvest acquisition. The note receivable was originally dated November 2020 maturing in November 2025. The note had an original principal balance of \$12.0 million and accrues interest at a rate of 7.5% per annum with monthly interest and principal payments of \$0.1 million.

In October 2021, the Company acquired notes receivable with the Harvest acquisition. The notes receivable was originally dated in February 2021 and matured in February 2022. The notes had an original principal balance of \$0.9 million and accrued interest at a rate of 10% per annum with interest only payments due monthly. These notes were repaid in full in February 2022.

As part of the acquisition of Harvest, the Company acquired \$9.8 million in notes receivable on October 1, 2021. There were no notes receivable outstanding prior to October 1, 2021. See *Note 4. Acquisitions* for further details of the Harvest acquisition.

In November 2021, the Company entered into a convertible note receivable agreement for a principal amount of \$4.1 million that matures in November 2024. The note accrues interest monthly at 9.75%, and accrued interest is added to the principal balance at each quarter end. The note is convertible to equity of the holder at the Company's option at any time prior to maturity. Further, the note was issued at a discount of 3% or \$0.1 million, which is accreted to the note receivable balance over the term of the note.

During the three and nine months ended September 30, 2022, the Company recorded interest income of \$0.3 million and \$1.0 million in other income (expense), net in the condensed consolidated statements of operations and comprehensive (loss) income, respectively. The Company had interest receivable of \$0.1 million as of September 30, 2022 and December 31, 2021, included in prepaid expenses and other current assets in the condensed consolidated balance sheets.

Stated maturities of notes receivable are as follows as of September 30, 2022:

	<b>Expected principal payments</b>
	<i>(in thousands)</i>
Remaining 2022	\$ 174
2023	728
2024	5,274
2025	6,693
2026	—
Thereafter	—
<b>Total</b>	<b>12,869</b>
Less: discount on notes receivable	(95)
<b>Total</b>	<b>\$ 12,774</b>

## NOTE 7. INVENTORY

As of September 30, 2022 and December 31, 2021, Inventories, net consisted of the following:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<i>(in thousands)</i>	
<b>Raw material</b>		
Cannabis plants	\$ 24,484	\$ 30,454
Packaging and supplies	51,269	39,892
<b>Total raw material</b>	<b>75,753</b>	<b>70,346</b>
<b>Work in process</b>	<b>165,150</b>	<b>93,592</b>
<b>Finished goods-unmedicated</b>	<b>6,722</b>	<b>4,824</b>
<b>Finished goods-medicated</b>	<b>53,614</b>	<b>41,181</b>
<b>Total inventories</b>	<b>\$ 301,239</b>	<b>\$ 209,943</b>

As of September 30, 2022 and December 31, 2021 the Company recorded an allowance for inventory obsolescence of \$5.8 million and \$1.5 million, respectively. For each the three and nine months ended September 30, 2022 the Company recorded an inventory provision of \$4.3 million. For the three and nine months ended September 30, 2021 the Company recorded an inventory provision of \$0.3 million and \$0.4 million, respectively. The provision for inventories is recorded to cost of goods sold in the condensed consolidated statements of operations and comprehensive (loss) income

## NOTE 8. PROPERTY & EQUIPMENT

As of September 30, 2022 and December 31, 2021, Property and equipment, net consisted of the following:

	September 30, 2022	December 31, 2021
	<i>(in thousands)</i>	
Land	\$ 32,786	\$ 32,904
Buildings and improvements	560,950	434,762
Furniture and equipment	246,644	140,221
Vehicles	839	959
Total	841,219	608,846
Less: accumulated depreciation	(113,831)	(63,602)
Total property and equipment	727,388	545,244
Construction in progress	68,118	234,169
Total property and equipment, net	\$ 795,506	\$ 779,413

Depreciation expense for the three and nine months ended September 30, 2022 totaled \$20.2 million and \$55.8 million, respectively. Depreciation expense for the three and nine months ended September 30, 2021 totaled \$8.1 million and \$21.0 million, respectively.

Capitalized interest for the three and nine months ended September 30, 2022 totaled \$1.3 million and \$4.0 million, respectively. Capitalized interest for the three and nine months ended September 30, 2021 totaled \$2.2 million and \$4.4 million, respectively.

During the three and nine months ended September 30, 2022, the Company recorded an impairment of \$0.3 and \$0.6 million, respectively, which is mainly the result of repositioning of assets. The impairment of \$0.3 million was recorded to impairment and disposal of long-lived assets, net with the impairment of \$0.6 million consisting of \$0.3 million recorded to impairment and disposal of long-lived assets, net and \$0.3 million recorded to impairment and disposal of non-operating assets, net in the condensed consolidated statements of operations and comprehensive (loss) income.

During the three and nine months ended September 30, 2022, the Company recorded a loss on disposal of property and equipment of \$46.2 million and \$54.2 million, respectively, primarily related to assets located in our southeast region. The loss on disposal of \$46.2 million consists of \$46.1 million recorded to impairment and disposal of long-lived assets, net and \$0.1 million recorded to impairment and disposal of non-operating assets, net with the loss of \$54.2 million consisting of \$53.4 million recorded to impairment and disposal of long-lived assets, net and \$0.8 million recorded to impairment and disposal of non-operating assets, net in the condensed consolidated statements of operations and comprehensive (loss) income.

During the three and nine months ended September 30, 2022, the Company recorded a gain on sale of property and equipment, net of \$0.1 million and \$0.2 million, respectively. The gain on sale, net of \$0.1 million consists of a \$0.2 million gain recorded to impairment and disposal of long-lived assets, net and a \$0.1 million loss on sale of property and equipment recorded to impairment and disposal of non-operating assets, net in the condensed consolidated statements of operations and comprehensive (loss) income. The gain on sale, net of \$0.2 million consists of a \$0.3 million gain recorded to impairment and disposal of long-lived assets, net and a \$0.1 million loss on sale of property and equipment recorded to impairment and disposal of non-operating assets, net in the condensed consolidated statements of operations and comprehensive (loss) income.

During the three months ended September 30, 2022, the Company exited Nevada and recorded a loss on disposal of property and equipment of \$0.7 million, which is recorded in loss on discontinued operations in the condensed consolidated statements of operations and comprehensive (loss) income. See *Note 18. Discontinued Operations* for further details.

## NOTE 9. INTANGIBLE ASSETS & GOODWILL

### Intangible assets

As of September 30, 2022 and December 31, 2021, Intangible assets, net consisted of the following:

	September 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	<i>(in thousands)</i>			<i>(in thousands)</i>		
Licenses	1,072,171	75,652	996,519	1,070,056	24,742	1,045,314
Trademarks	27,430	11,234	16,196	27,430	2,809	24,621
Internal use software	14,654	2,307	12,347	7,374	1,119	6,255
Tradenames	4,862	3,200	1,662	4,862	2,168	2,694
Customer relationships	3,536	3,202	334	3,536	1,180	2,356
Total	1,122,653	95,595	1,027,058	1,113,258	32,018	1,081,240

Amortization expense for the three and nine months ended September 30, 2022 was \$21.5 million and \$63.6 million, respectively. Amortization expense for the three and nine months ended September 30, 2021 was \$3.3 million and \$7.8 million, respectively.

During the quarter ended September 30, 2022, the Company exited the Nevada market and recorded a loss on disposal of intangible assets of \$34.4 million, which is recorded in loss on discontinued operations in the condensed consolidated statements of operations and comprehensive (loss) income. See Note 18. *Discontinued Operations* for further details.

The following table outlines the estimated future annual amortization expense related to intangible assets as of September 30, 2022:

	Estimated amortization
	<i>(in thousands)</i>
Remaining 2022	\$ 19,831
2023	78,959
2024	77,249
2025	74,987
2026	73,302
Thereafter	702,730
	<u>\$ 1,027,058</u>

As of September 30, 2022, the weighted average amortization period remaining for intangible assets was 13.65 years.

## Goodwill

The changes in the carrying amount of Goodwill arose from the following:

	<b>As of September 30, 2022</b>
	<i>(in thousands)</i>
As of December 31, 2021	\$ 765,358
Acquisition of Watkins	24,542
Measurement period purchase price allocation adjustment of Harvest Health & Recreation, Inc. See <i>Note 4</i> .	1,595
As of September 30, 2022	<u>\$ 791,495</u>

## NOTE 10. NOTES PAYABLE

As of September 30, 2022 and December 31, 2021, Notes payable, net consisted of the following:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<i>(in thousands)</i>	
Promissory notes dated October 1, 2021, maturing in December 2022. Monthly variable interest payments due of 7.0% as of September 30, 2022. Secured by mortgaged property with a \$6 million book value.	6,156	6,156
Promissory note acquired in Harvest acquisition dated February 2020, maturing in February 2023. Monthly interest payments due at 5.5%.	2,674	4,699
Promissory note dated July 2018, maturing in July 2023. Monthly interest payments due of 4% per annum. Secured by certain assets.	1,082	1,113
Promissory note of consolidated variable-interest entity dated February 2022, maturing February 2029, for up to \$1.5 million. Monthly interest payments due of 8%.	1,080	—
Promissory note dated October 2019, maturing in October 2024. Monthly interest payments due of 5.5%. Principal balance due at maturity.	757	829
Promissory note acquired in Harvest acquisition dated August 2018, maturing in August 2024. Monthly interest payments due of 2%. Secured by certain assets.	787	1,022
Promissory note acquired in Harvest acquisition dated January 2020, maturing in May 2023. Quarterly interest payments due of 2%.	175	425
Promissory note acquired in Harvest acquisition dated April 2021, maturing in April 2026. Principal due at maturity. Secured by equipment.	49	60
Promissory note acquired in Harvest acquisition dated January 2020, maturing in January 2023. Monthly interest payments due of 2%.	5	65
Promissory notes of consolidated variable-interest entities acquired in Harvest Acquisition. Maturing December 2022 and 2029, interest ranging from 5.25% to 8.25%. Secured by real-estate. In the first quarter of 2022 these notes were fully paid.	—	2,231
<b>Total notes payable</b>	<u>12,765</u>	<u>16,600</u>
Less: debt discount	—	(92)
Less: current portion of notes payable	(4,823)	(10,052)
Notes payable	<u>\$ 7,942</u>	<u>\$ 6,456</u>



As of September 30, 2022, stated maturities of notes payable are as follows:

		<i>(in thousands)</i>
Remaining 2022	\$	187
2023		4,662
2024		657
2025		14
2026		5
Thereafter		7,240
Total	\$	<u>12,765</u>

The Company extended the maturity date of our \$6.1 million notes originally maturing in October 2022 to December 2022 in order to complete refinancing. The Company is still in the process of refinancing the notes with the lender and the new notes are expected to have a 5-year term and bear interest at an annual rate of the 5 Year FHLB + 3.75%, with a floor of 6%. The refinancing is expected to close on or before November 30, 2022.

#### **NOTE 11. PRIVATE PLACEMENT NOTES**

##### *2024 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 unexercised warrants expired in June 2022.

During the three and nine months ended September 30, 2022, accretion expense for the June Notes was \$0.5 million and \$1.4 million, respectively. During the three and nine months ended September 30, 2021, accretion expense for the June Notes was \$0.4 million and \$1.2 million, respectively.

During the three and nine months ended September 30, 2022, accretion expense for the November Notes was \$0.4 million and \$1.2 million, respectively. During the three and nine months ended September 30, 2021, accretion expense for the November Notes was \$0.4 million and \$1.1 million, respectively.

##### *2026 Notes*

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. The Company intends to use the net proceeds for capital expenditures and other general corporate purposes. 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. 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. These notes are collectively referred to as the "2026 Notes".

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. The 2026 Notes bear interest at 8% per annum, payable semi-annually in equal installments until the maturity date, unless earlier redeemed or repurchased. During the three and nine months ended September 30, 2022, accretion expense for the 2026 Notes - Tranche Two was less than \$0.1 million and \$0.2 million, respectively. During the nine months ended September 30, 2022, the Company repaid \$1.9 million in principal on the 2026 Notes - Tranche Two. During the three and nine months ended September 30, 2022 the Company incurred \$0.3 million and \$1.0 million in accretion expense, respectively, on the 2026 Notes - Tranche One.

Accretion expense on the private placement notes is included as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive (loss) income as interest expense.

Stated maturities of the principal portion of private placement notes, net outstanding as of September 30, 2022, are as follows:

	<i>(in thousands)</i>
Remaining 2022	—
2023	—
2024	130,000
2025	—
2026	425,000
Thereafter	—
Total private placement notes	<u>555,000</u>
Less: Unamortized debt discount & issuance costs	(14,699)
Private placement notes, net	<u>\$ 540,301</u>

## NOTE 12. LEASES

The Company leases real estate used for dispensaries, production plants, and corporate offices. Lease terms for real estate generally range from five to ten years. Most leases include options to renew for varying terms at the Company's sole discretion. Other leased assets include passenger vehicles, trucks, and equipment. Lease terms for these assets generally range from three to five years. Lease right-of-use assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease agreements for some locations provide for rent escalations and renewal options. Certain real estate leases require payment for taxes, insurance and maintenance which are considered non-lease components. The Company accounts for real estate leases and the related fixed non-lease components together as a single component.

The Company recorded a loss on disposal of right of use assets of \$6.1 million and \$16.6 million for the three-and nine-months ending September 30, 2022, respectively, which is the result of repositioning of assets in the southeast. This loss was recorded in impairment and disposal of long-lived assets, net in the condensed consolidated statements of operations and comprehensive (loss) income.

During the three months and nine months ended September 30, 2022, the Company recorded a net gain on lease terminations of \$0.3 million and \$0.3 million, respectively. For both the three months and nine months ended September 30, 2022, the gain on lease terminations, net of \$0.3 million consists of a \$0.1 million loss on lease terminations recorded to impairment and disposal of long-lived assets, net and a \$0.4 million net gain on lease terminations recorded to impairment and disposal of non-operating assets, net in the condensed consolidated statements of operations and comprehensive (loss) income.

During the three months ended September 30, 2022, the Company exited Nevada and recorded a loss on disposal of operating right of use assets of \$14.0 million, which is recorded in loss on discontinued operations in the condensed consolidated statements of operations and comprehensive (loss) income. See *Note 18. Discontinued Operations* for further details.

The following table provides the components of lease cost recognized in the condensed consolidated statements of operations and comprehensive (loss) income:

Statement of operations and comprehensive (loss) income location		Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2022	2021	2022	2021
<i>(in thousands)</i>					
Operating lease cost	Cost of goods sold, sales and marketing, general and administrative	\$ 5,506	2,483	\$ 16,708	5,751
Finance lease cost:					
Amortization of lease assets	Cost of goods sold, sales and marketing, general and administrative	3,116	1,990	8,345	5,357
Interest on lease liabilities	Interest expense	1,830	1,177	5,083	2,914
Finance lease cost		4,946	3,167	13,428	8,271
Variable lease cost	Cost of goods sold, sales and marketing, general and administrative	1,836	2,529	5,656	3,139
Short term lease expense	Cost of goods sold, sales and marketing, general and administrative	201	—	456	—
Total lease cost		12,489	8,179	36,248	17,161

Short term lease expense for the three and nine months ended September 30, 2021 was nominal. During the three and nine months ended September 30, 2022, the Company earned \$0.2 million and \$0.4 million of sublease income, respectively. During the three and nine months ended September 30, 2021, the Company earned a nominal amount of sublease income. Sublease income is recorded in other income (expense), net on the consolidated statements of operations and comprehensive (loss) income.

Other information related to operating and finance leases is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>(in thousands)</i>				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	5,505	1,820	15,879	4,776
Operating cash flows from finance leases	1,832	1,186	5,076	2,904
Financing cash flows from finance leases	2,009	1,933	5,215	4,024
842 lease additions and modifications				
Operating leases	2,707	7,081	14,677	21,244
Finance leases	—	12,957	18,412	28,085

	September 30, 2022	December 31, 2021
<i>(in thousands)</i>		
Weighted average discount rate:		
Operating leases	9.55%	9.69%
Finance leases	8.62%	8.68%
Weighted average remaining lease term (in years):		
Operating leases	9.62	10.09
Finance leases	8.20	8.16

Future minimum lease payments under the Company's non-cancellable leases as of September 30, 2022 are as follows:

	<b>Operating leases</b>	<b>Finance leases</b>
	<i>(in thousands)</i>	
Remainder of 2022	\$ 5,419	\$ 3,870
2023	21,277	15,394
2024	20,703	14,824
2025	20,331	14,250
2026	19,816	13,031
Thereafter	94,071	57,568
Total undiscounted lease liabilities	181,617	118,937
Interest on lease liabilities	(60,213)	(35,207)
Total present value of minimum lease payments	121,404	83,730
Lease liabilities- current portion	(10,779)	(8,719)
Lease liabilities	\$ 110,625	\$ 75,011

### NOTE 13. CONSTRUCTION FINANCE LIABILITIES

#### *Holyoke*

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. This transaction was determined to be a finance lease, and therefore did not meet the definition of a sale because control was never transferred to the buyer-lessor. The transaction was treated as a failed sale-leaseback financing arrangement.

Included in the agreement, the Company completed the tenant improvements related to the property, for which the landlord has provided a tenant improvement allowance ("TI Allowance") of \$40.0 million. As of December 31, 2021, the entire TI Allowance had been provided. The initial term of the agreement is ten years, with two five-year options to renew. The initial payments are equal to 11% of the sum of the purchase price for the property and increases 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, 2022, and December 31, 2021, the total finance liability associated with this transaction is \$45.1 million and \$44.6 million, respectively.

#### *Ben Bostic*

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. Control was never transferred to the buyer-lessor because the transaction was determined to be a finance lease and did not meet the requirements of a sale. The transaction was treated as a failed sale-leaseback financing arrangement.

The initial term of the agreement is ten years, with two five-year options to renew. 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, 2022, and December 31, 2021, the total finance liability associated with this transaction is \$17.6 million and \$17.4 million, respectively.

#### *McKeesport*

In October 2019, prior to acquisition by the Company, 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 transaction was treated as a failed sale-leaseback financing arrangement.

The initial term of the lease is 15 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, 13.25% for \$5.0 million to \$15.0 million and 13.50% for \$15.0 to \$21.0 million. In 2021, the Company entered into an amendment with the landlord to increase the tenant improvement allowance by an additional \$15.5 million for a total of \$36.5 million at a rate of 10.75% on the additional allowance in excess of \$21.0 million. As of September 30, 2022, and December 31, 2021, \$36.5 million and \$29.5 million of the TI allowance has been provided, respectively. As of

September 30, 2022, and December 31, 2021, the total finance liability associated with this transaction is \$41.6 million and \$34.6 million, respectively.

#### *Alachua*

In October 2021, in connection with the acquisition of Harvest, the Company acquired a transaction in which Harvest sold a licensed cultivation and processing facility and simultaneously with the closing of the sale, agreed to lease the facility back. The transaction was treated as a failed sale-leaseback financing arrangement.

The initial term of the lease is 20 years, with two five-year options to renew. The landlord has agreed to provide a TI Allowance of \$17.9 million as an additional component of base rent. As of September 30, 2022, and December 31, 2021, \$17.9 million and \$15.3 million of the TI allowance has been provided, respectively. As of September 30, 2022, and December 31, 2021, the total finance liability associated with this transaction is \$59.1 million and \$58.9 million, respectively.

In the first quarter of 2022, the Company temporarily idled this facility. After further review, as of September 30, 2022, the Company committed to a plan to cease using this facility and as a result recorded a loss on disposal of property and equipment of \$42.5 million in impairment and disposal of long-lived assets, net in the condensed consolidated statements of operations and comprehensive (loss) income.

#### *Hancock*

In October 2021, in connection with the acquisition of Harvest, the Company acquired a transaction in which Harvest sold a licensed cultivation and processing facility and simultaneously with the closing of the sale, agreed to lease the facility back. The transaction was treated as a failed sale-leaseback financing arrangement.

The initial term of the lease is ten years with two options to extend the term the first providing a ten-year renewal option and the second providing a five-year renewal option. The landlord has agreed to provide a TI Allowance of \$12.9 million as an additional component of base rent. As of September 30, 2022, and December 31, 2021, \$11.9 million and \$5.7 million of the TI allowance has been provided, respectively. As of September 30, 2022, and December 31, 2021, the total finance liability associated with this transaction is \$20.0 million and \$20.7 million, respectively.

Under the failed-sale-leaseback accounting model, the Company is deemed to own this real estate and reflects the properties in the condensed consolidated balance sheets and depreciates them over the assets' remaining useful life.

Future minimum lease payments for the construction finance liabilities as of September 30, 2022, are as follows:

	<i>(in thousands)</i>
Remaining 2022	\$ 5,810
2023	23,406
2024	23,736
2025	24,175
2026	24,593
Thereafter	428,520
Total future payments	530,240
Less: Interest	(346,846)
Total present value of minimum payments	183,394
Construction finance liabilities - current portion	(1,137)
Construction finance liabilities	<u>\$ 182,257</u>

## **NOTE 14. 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.

*(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 “Conversion 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, 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.

*(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.

**Warrants**

*Liability warrants*

	Number of Warrants	Weighted average exercise price (\$CAD)	Weighted average remaining contractual life (Years)
Outstanding and exercisable as of January 1, 2022	1,679	\$ 1,125	1.31
Granted	—	—	—
Exercised	—	—	—
Outstanding and exercisable as of September 30, 2022	1,679	\$ 1,125	0.56

In October 2021 the Company acquired 1,679 warrants in connection with the acquisition of Harvest (“Harvest Liability Warrants”). See *Note 4. Acquisitions* for further details. Each acquired warrant is exercisable into one Multiple Voting Share. Changes in fair value are recognized as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive (loss) income as change in fair value of derivative liabilities - warrants.

The fair value of the Harvest Liability Warrants is determined using the Black-Scholes options pricing model. The Harvest Liability Warrants are classified within level two of the fair value hierarchy. There have been no transfers between hierarchy levels during the three or nine months ended September 30, 2022. The following table summarizes the significant assumptions used in determining the fair value of the warrant liability:

	September 30, 2022	December 31, 2021
Stock price	\$11.73	\$32.91
Exercise price (\$CAD)	\$11.25	\$11.25
Exchange rate	\$0.729	\$0.789
Remaining life	0.56	1.31
Annualized volatility	53.38%	49.57%
Discount rate	3.92%	0.56%

### *Equity warrants*

In connection with the Harvest acquisition in October 2021, the Company acquired certain equity classified warrants ("Acquired Equity Warrants"). The Acquired Equity Warrants range in exercise price from \$23.76 to \$145.24 and expire at various dates from June 2022 through December 2025 and are exercisable into one Subordinate Voting Share. As of September 30, 2022 and December 31, 2021, there were 599,605 and 1,009,419 equity warrants outstanding, with a weighted average remaining life of 0.33 years and 0.79 years, respectively. Each Acquired Equity Warrant is exercisable into one Subordinate Voting Share. During the nine months ended September 30, 2022, 409,811 warrants expired with a weighted average exercise price of 145.24.

As of September 30, 2022 and December 31, 2021 there were zero and 2,460,367 Public Warrants outstanding, respectively. See *Note 11. Private Placement Notes* for further details on warrants issued in connection with private placement debt in 2019.

## **NOTE 15. SHARE-BASED COMPENSATION**

### *Equity Incentive Plans*

The Company's 2021 Omnibus Incentive Plan (the "2021 Plan") was adopted in June 2021 at the 2021 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 of the Board of Directors. 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.

### *Options*

On January 4, 2022 and February 24, 2022, under the 2021 Plan, the Board awarded options to purchase shares to board members, directors, officers, and key employees of the Company. The options granted vest immediately for board members and all other options granted vest over a two-to three-year period.

On October 26, 2021, under the 2021 Plan, the Board awarded options to purchase shares to select employees and certain Board members of the Company. The options generally vest over a two-to three-year period.

On October 1, 2021, the Company acquired Harvest which included consideration in the form of 1,266,641 stock options (as converted) that had been issued before the acquisition date to employees and non-employees of Harvest. The post-combination options vest over a one-to three-year period.

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 September 29, 2021, options vest over a three-year period.

On January 4, 2021, under the Prior Plan, the Board awarded options to purchase shares to directors, officers, and key employees of the Company. The January 4, 2021, options generally vest over a two-to three-year period.

In determining the amount of share-based compensation related to options issued during the periods ending September 30, 2022 and 2021, the Company used the Black-Scholes pricing model to establish the fair value of the options granted with the following assumptions:

	<b>Nine Months Ended September 30, 2022</b>	<b>Nine Months Ended September 30, 2021</b>
Fair value at grant date	\$8.39-\$11.01	\$10.58-\$11.20
Stock price at grant date	\$21.48-\$25.41	\$26.88-\$33.42
Exercise price at grant date	\$21.48-\$25.41	\$26.88-\$33.42
Expected life in years	3.50 - 4.46	3.00 - 3.50
Expected volatility	51.81% - 52.87%	49.88% - 53.75%
Expected annual rate of dividends	0%	0%
Risk free annual interest rate	1.20% - 1.79%	0.16% - 0.79%

The expected volatility was estimated by using the historical volatility of the Company. In cases where there is insufficient trading history, the expected volatility is estimated 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 and is computed using the simplified method. The risk-free rate was based on the United States 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.

The Company recorded share-based compensation for stock options as follows:

<b>Statement of operations and comprehensive (loss) income location</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>(in thousands)</i>			
Cost of goods sold	90	74	138	223
General and administrative	1,756	527	6,179	1,597
Sales and marketing	77	131	350	397
Total Share based compensation expense	<u>\$ 1,923</u>	<u>\$ 732</u>	<u>\$ 6,667</u>	<u>\$ 2,217</u>

The following is a summary of stock option activity:

	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (Years)</b>	<b>Aggregate intrinsic value</b>
Outstanding, January 1, 2022	2,973,895	\$ 27.61	6.26\$	—
Granted	864,051	21.56		
Exercised	(120,512)	11.29		
Forfeited	(427,764)	33.50		
Outstanding, September 30, 2022	<u>3,289,670</u>	<u>\$ 25.85</u>	<u>5.72\$</u>	—
Exercisable, September 30, 2022	1,834,808	\$ 24.66	4.22\$	—

  

	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (yrs)</b>	<b>Aggregate intrinsic value</b>
Outstanding, January 1, 2021	1,129,779	\$ 11.72	4.01\$	19.90
Granted	877,504	29.32		
Exercised	(36,787)	11.52		
Forfeited	—	—		
Outstanding, September 30, 2021	<u>1,970,496</u>	<u>\$ 19.56</u>	<u>4.52\$</u>	<u>8.43</u>
Exercisable, September 30, 2021	517,672	\$ 11.71	3.34\$	15.20

As of September 30, 2022, there was approximately \$6.5 million of unrecognized compensation cost related to nonvested stock option arrangements which is expected to be recognized over a weighted average period of 0.80 years.



### 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 generally 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 January 4, February 24, and March 31, 2022, the Board awarded RSUs to board members, directors, officers, and key employees of the Company. The RSUs vest immediately for board members and all other RSUs granted vest over a two-year period.

On September 15, 2021, the Board awarded RSUs to two officers of the Company as replacement awards for cancelled warrants, which vest immediately. The previously held 3,572,514 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, which was recorded to general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income.

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.

The following is a summary of RSU activity:

	<b>Number of restricted stock units</b>	<b>Weighted average grant price</b>
Unvested balance as of January 1, 2022	332,428	\$ 26.86
Granted	821,800	21.51
Vested	(45,625)	22.85
Forfeited	(206,914)	23.32
Unvested balance as of September 30, 2022	<u>901,689</u>	<u>\$ 23.00</u>

The Company recorded share-based compensation for RSUs as follows:

<b>Statement of operations and comprehensive (loss) income location</b>	<b>Three Months Ended September 30, 2022</b>	<b>Nine Months Ended September 30, 2022</b>
	<i>(in thousands)</i>	
Cost of goods sold	302	761
General and administrative	2,011	6,463
Sales and marketing	56	668
Total Share based compensation expense	<u>\$ 2,369</u>	<u>\$ 7,892</u>

There was no share-based compensation expense related to RSUs during the three or nine months ended September 30, 2021.

As of September 30, 2022, there was approximately \$12.5 million of total unrecognized compensation cost related to nonvested restricted stock units which is expected to be recognized over a weighted-average service period of 0.95 years.

### 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.

The following table summarizes the activity related to warrants issued and outstanding to certain employees and directors of the Company for the nine-month period ending September 30, 2021. There were no outstanding warrants as of September 30, 2022 and December 31, 2021.

	Number of warrants	Weighted average exercise price (\$CAD)	Weighted average remaining contractual life (Years)
Outstanding, 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, September 30, 2021	—	—	—

#### NOTE 16. 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, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Numerator</b>	<i>(in thousands, except share and per share amounts)</i>			
Net (loss) income from continuing operation	\$ (77,007)\$	18,616\$	(129,246)\$	89,574
Less: Net loss and comprehensive loss attributable to non-controlling interest		(518)	(2,555)	—
Net (loss) income from continuing operations available to common shareholders of Trulieve Cannabis Corp.		(76,489)	18,616	(126,691)
Net loss from discontinued operations		(38,065)	—	(42,329)
Net (loss) income and comprehensive (loss) income attributable to common shareholders of Trulieve Cannabis Corp.	\$ (114,554)\$	18,616\$	(169,020)\$	89,574
<b>Denominator</b>				
Weighted average number of common shares outstanding	188,597,094	128,146,298	187,549,359	122,983,729
Dilutive effect of securities	—	8,762,968	—	7,943,354
Diluted weighted average number of common shares outstanding	188,597,094	136,909,266	187,549,359	130,927,083
<b>Loss per Share - Continuing operations</b>				
Basic (loss) earnings per share	\$ (0.41)\$	0.15\$	(0.68)\$	0.73
Diluted (loss) earnings per share	\$ (0.41)\$	0.14\$	(0.68)\$	0.68
<b>Loss per Share - Discontinued operations</b>				
Basic and diluted loss per share	\$ (0.20)\$	—\$	(0.23)\$	—

For the three months ended September 30, 2022 and 2021, the Company excluded 4,958,851 and 877,508 of potentially dilutive instruments for the dilutive calculation as the Company is in a net loss position, respectively. For the nine months ended September 30, 2022 and 2021, the Company excluded 6,053,611 and 292,503 of potentially dilutive instruments from the dilutive calculation as the Company is in a net loss position, respectively.

As of September 30, 2022, there are approximately 185.9 million issued and outstanding shares which excludes approximately 2.9 million fully vested RSUs which are not contractually issuable until 2024.

## NOTE 17. 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, 2022 and 2021.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>(in thousands)</i>			
(Loss) Income before provision for income taxes	\$ (48,808)	\$ 60,219	\$ (12,504)	\$ 194,828
Provision for income taxes	28,199	41,603	116,742	105,254
Effective tax rate	58%	69%	934%	54%

The Company has computed its provision for income taxes based on the actual effective tax rate for the quarter as the Company believes this is the best estimate for the annual estimated effective tax rate.

The Company is subject to income taxes in the United States and Canada. Significant judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. The Company's gross unrecognized tax benefits was approximately \$44.9 million as of September 30, 2022 and December 31, 2021, respectively, which is recorded in deferred tax liabilities and other long-term liabilities in the condensed consolidated balance sheets.

## NOTE 18. DISCONTINUED OPERATIONS

In July 2022, the Company approved the exit of the Nevada operations. This represents a strategic shift in the Company's operations and therefore is classified as discontinued operations as of September 30, 2022. Immaterial wind-down activities are expected to continue in the near term. The Nevada operations were acquired on October 1, 2021, and therefore, there are no discontinued operations for the comparable prior year periods.

As of September 30, 2022, the assets and liabilities associated with discontinued operations consisted of the following:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
	<i>(in thousands)</i>	
<b>Assets associated with discontinued operations</b>		
Deferred tax asset	\$ 3,750	\$ —
Income tax receivable	1,734	474
Other assets	690	672
Inventories, net	403	2,245
Accounts receivable, net	333	291
Cash	219	561
Prepays and other current assets	149	44
Property and equipment, net	63	503
Intangible assets, net	—	36,742
Right of use assets - operating, net	—	14,250
Total assets associated with discontinued operations	<u>\$ 7,341</u>	<u>\$ 55,782</u>
<b>Liabilities associated with discontinued operations</b>		
Operating lease liabilities	\$ 14,552	\$ 14,380
Accounts payable and accrued liabilities	413	272
Deferred tax liabilities	—	9,429
Total liabilities associated with discontinued operations	<u>\$ 14,965</u>	<u>\$ 24,081</u>

The following table summarizes the Company's loss from discontinued operations for the three and nine months ended September 30, 2022. The gain and loss resulting from the forgiveness of intercompany payables has been eliminated in consolidation.

	<b>Three Months Ended September 30, 2022</b>	<b>Nine Months Ended September 30, 2022</b>
	<i>(in thousands)</i>	
Revenues, net of discounts	\$ 591	\$ 2,403
Cost of goods sold	1,887	7,696
Gross margin	(1,296)	(5,293)
Expenses:		
Operating expenses	711	2,492
Impairment and disposal of long-lived assets, net	49,069	49,069
Total Expenses	49,780	51,561
Loss from operations	(51,076)	(56,854)
Other income:		
Other income, net	30	86
Total other income	30	86
Loss before provision for income taxes	(51,046)	(56,768)
Income tax benefit	12,981	14,439
Net loss from discontinued operations	\$ (38,065)	\$ (42,329)

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

The following table summarizes the depreciation of long-lived assets, amortization of long-lived assets, loss on impairment of long-lived assets, and capital expenditures of discontinued operations for the nine months ended September 30, 2022.

	<b>Nine Months Ended September 30, 2022</b>
	<i>(in thousands)</i>
Depreciation	\$ 27
Amortization	\$ 2,377
Loss on impairment of long-lived assets	\$ 49,069
Purchases of property plant and equipment	\$ 259

#### **NOTE 19. VARIABLE INTEREST ENTITIES**

The Company through its acquisition of Harvest and through the acquired Harvest subsidiaries has entered into operating agreements with various entities related to the purchase and operation of cannabis dispensary, cultivation, and production licenses, in several states. The Company determined these entities to be VIEs due to the financial relationship and as the Company is the primary beneficiary as of September 30, 2022, and December 31, 2021. The Company holds varying ownership interests in these entities and in certain cases may not directly hold ownership in the entities but holds a significant interest through an agent. The Company's VIEs are not material to the consolidated financial position or operations as of September 30, 2022, or for the three or nine-month period ended September 30, 2022, or as of December 31, 2021. The Company did not have any VIEs prior to the acquisition of Harvest in October 2021.

The Company has determined these entities to be VIEs and that it is the primary beneficiary. The Company consolidates these entities due to the other holder's equity investment being insufficient to finance its activities without additional subordinated financial support and the Company meeting the power and economics criteria. In particular, the Company controls the management decisions and activities most significant to certain VIEs, has provided a significant portion of the subordinated financial support provided to date, and holds membership interests exposing the Company to the risk of reward and/or loss. The Company allocates income and cash flows of the VIEs based on the outstanding ownership percentage in accordance with the underlying operating agreements, as

amended. The Company has consolidated all identified VIEs for which the Company is the primary beneficiary in the accompanying condensed consolidated financial statements.

The following table presents the summarized assets and liabilities of the Company's VIEs in which the Company does not hold a majority interest as of September 30, 2022 and December 31, 2021. The assets and liabilities in the table below include third-party assets and liabilities of the Company's VIEs only and exclude intercompany balances that eliminate in consolidation as included in the condensed consolidated balance sheets.

	<b>September 30,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
	<i>(in thousands)</i>	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,264	\$ 1,241
Accounts receivable, net	494	905
Inventories, net	6,428	2,451
Prepays and other current assets	35	313
<b>Total current assets</b>	<b>10,221</b>	<b>4,910</b>
Property and equipment, net	6,938	8,335
Intangible assets, net	16,416	17,735
Other assets	79	544
<b>Total assets</b>	<b>\$ 33,654</b>	<b>\$ 31,524</b>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,570	\$ 828
Notes payable - current portion	—	1,170
Income tax payable	2,323	522
<b>Total current liabilities</b>	<b>3,893</b>	<b>2,520</b>
Notes payable	1,080	1,061
Deferred tax liabilities	4,131	4,479
Other long-term liabilities	618	—
<b>Total liabilities</b>	<b>\$ 9,722</b>	<b>\$ 8,060</b>

In the first quarter of 2022, the Company divested of its minority ownership interest in one of its VIEs and received cash of \$1.6 million and recorded an insignificant loss on the divestment which is recorded in impairment and disposal of non-operating assets, net in the condensed consolidated statement of operations and comprehensive (loss) income for the nine months ended September 30, 2022. As of September 30, 2022, the Company is no longer the primary beneficiary of this VIE and the VIE is no longer consolidated in the Company's condensed consolidated financial statements.

## **NOTE 20. RELATED PARTIES**

The Company had raised funds by issuing notes to various related parties including directors, officers, and shareholders. The related party notes were paid off in full in November 2021. The balance of related party notes was zero as of December 31, 2021, and September 30, 2022, respectively. The Company incurred interest expense for the three and nine months ended September 30, 2021 of \$0.4 million and \$1.1 million, respectively on the related party notes.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Company, was a minority owner of a company (the "Supplier") that provides construction and related services to the Company. As of January 1, 2022, the Supplier is no longer a related party of 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, property and equipment purchases totaled \$119.6 million. As of December 31, 2021, \$11.4 million of related party 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 leases a cultivation facility and corporate office facility from an entity that is directly or indirectly owned by Kim Rivers, the Company's Chief Executive Officer and Chair of the board of directors, George Hackney, a former member of the Company's board of directors, and Richard May, a member of the Company's board of directors. The Company also leases various properties from companies that are managed by Benjamin Atkins, a former director and shareholder of the Company, and the Supplier. As of January 1, 2022, Benjamin Atkins is no longer a related party of the Company due to the time that has passed since Mr. Atkins held a director position.

As of September 30, 2022, and December 31, 2021, under ASC 842, the Company had the following related party leases in the condensed consolidated balance sheets:

	<b>As of September 30,</b>		<b>As of December 31, 2021</b>	
	<b>2022</b>		<b>Operating</b>	<b>Finance</b>
	<u>Operating</u>		<u>Operating</u>	
	<i>(in thousands)</i>			
Right-of-use assets, net	\$	847	\$	2,082
Lease liabilities:				
Lease liabilities - current portion	\$	109	\$	418
Lease liabilities		781		1,862
<b>Total related parties lease liabilities</b>	<b>\$</b>	<b>890</b>	<b>\$</b>	<b>2,280</b>

Expenses recognized for related party leases was less than \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2022, and \$0.9 million and \$2.4 million for the three and nine months ended September 30, 2021, respectively.

#### **NOTE 21. REVENUE DISAGGREGATION**

Net revenues are comprised of the following for the three and nine months ended September 30, 2022 and 2021:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<i>(in thousands)</i>			
Retail	\$ 283,635	\$ 204,108	\$ 872,810	\$ 587,957
Wholesale, licensing, and other	17,158	19,984	64,802	45,080
<b>Revenues, net of discounts</b>	<b>\$ 300,793</b>	<b>\$ 224,092</b>	<b>\$ 937,612</b>	<b>\$ 633,037</b>

#### **NOTE 22. COMMITMENTS AND CONTINGENCIES**

##### *Operating Licenses*

Although the possession, cultivation, and distribution of cannabis for medical-use and adult-use is permitted in the states in which we operate, 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 the Company's 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.

##### *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. As of September 30, 2022, 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 (loss) 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.

### *Contingencies*

The Company records contingent liabilities with respect to litigation on various claims in which the Company believes a loss may be probable and the loss is estimable. As of September 30, 2022 and December 31, 2021, there was \$11.4 million and \$8.8 million included in contingent liabilities in the condensed consolidated balance sheets related to pending litigation, respectively. As of September 30, 2022 and December 31, 2021, \$1.6 million and \$2.3 million was included in contingent liabilities in the condensed consolidated balance sheets for estimates related to various sales tax matters, respectively. As of September 30, 2022, the Company recorded \$12.6 million in liabilities related to potential earn-outs on the Watkins acquisition, that were determined to be probable and estimable as of September 30, 2022, included in contingent liabilities in the condensed consolidated balance sheets. As of December 31, 2021, there was \$1.9 million of other contingencies recorded in contingent liabilities in the condensed consolidated balance sheets.

### *Regulatory Compliance*

The Company's compliance with state and other rules and regulations may be reviewed by state and federal agencies. If the Company fails to comply with these regulations, the Company could be subject to loss of licenses, substantial fines or penalties, and other sanctions.

## 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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021		2022	2021	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021		2022	2021	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021		2022	2021	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021	%	2022	2021	%
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021	%	2022	2021	%
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021	%	2022	2021	%
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021	%	2022	2021	%
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021	%	2022	2021	%
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2022	2021	%	2022	2021	%
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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.

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(in thousands)</i>	
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:

	<u>&lt;1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>&gt;5 Years</u>	<u>Total</u>
	<i>(in thousands)</i>				
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
<b>Total</b>	<b>\$ 152,808</b>	<b>\$ 249,153</b>	<b>\$ 539,395</b>	<b>\$ 544,976</b>	<b>1,486,332</b>

## 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*

	<b>Three Months Ended September 30,</b>			<b>Nine Months Ended September 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
	<i>(in thousands)</i>			<i>(in thousands)</i>		
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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
<b>Net (loss) income and comprehensive (loss) income attributable to common shareholders</b>	\$ (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
<b>EBITDA</b>	<b>(22,291)</b>	<b>79,801</b>	<b>132,274</b>	<b>249,746</b>
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
<b>Adjusted EBITDA</b>	<b>\$ 98,764</b>	<b>\$ 98,034</b>	<b>\$ 315,482</b>	<b>\$ 283,702</b>

### 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.

We concluded that a certain material weakness in our internal control over financial reporting is still present as of September 30, 2022. The material weaknesses present is that the primary user access controls and program change management controls over information technology systems were not effectively designed or implemented to ensure appropriate authorization and segregation of duties.

Although a material misstatement was not identified in the Company's financial statements, it was determined that there was a reasonable possibility that a material misstatement in the Company's financial statements would not have been prevented or detected on a timely basis.

We are in the process of implementing actions to improve our internal control over financial reporting toward the remediation of the control deficiencies resulting in this material weakness. As of September 30, 2022, the Company has completed the following remediation efforts.

- Added a Chief Technology Officer ("CTO") to enhance the information technology environment including automation of processes and controls and finalization of an ongoing SAP implementation.
- Additional program change management controls over information technology systems implemented and are in the process of adding additional access and segregation of duties controls over financial relevant systems.

While significant progress has been made to remedy the material weakness specific to information technology systems, we find the material weakness will not be considered remediated until these remediation efforts have been fully implemented and we have concluded the controls are operating effectively.

#### **Management's Remediation Measures**

We previously identified and disclosed a material weakness in internal control as described in *Item 9A. Controls and Procedures* in the 2021 Annual Report on Form 10-K, filed with the SEC on March 30, 2022. This material weakness was due to the control environment component of internal control where we did not maintain a sufficient complement of personnel with the appropriate level of knowledge, experience, and training in certain areas important to financial reporting. In response to this identified material weakness, management, with the oversight of the Audit Committee of the Board of Directors, has successfully completed a remediation plan addressing the previously disclosed material weakness.

- Added additional positions including Chief Accounting Officer ("CAO"), Executive Director of Financial Reporting, Director of Technical Accounting, Tax Director, and Assistant Corporate and Regional Controllers, among others, to provide enhanced oversight and technical experience in certain areas important to financial reporting.
- Engaged third party experts to assist management in assessing current processes and designing improved processes and controls for the consolidated Company.
- Reviewed business processes surrounding leases, acquisitions, and other complex financial reporting areas to identify and implement enhanced procedures related to internal controls.

As a result of the actions implemented above, in combination with the results of our testing over the design and operating effectiveness of the newly designed and implemented controls, our management has concluded the previously identified material weakness over financial reporting has been remediated as of September 30, 2022.

#### *Changes in Internal Controls Over Financial Reporting*

Other than the remediation measures discussed above, there have been no changes in internal controls over financial reporting during the nine months ended September 30, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management believes these actions will help remediate internal control deficiencies related to the Company's financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act).

## PART II - OTHER INFORMATION

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical facts may be deemed to be forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, results of operations and future growth prospects. The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning receipt and/or maintenance of required licenses and third party consents and the success of our operations, are based on estimates prepared by us using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry that we believe to be reasonable. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and discussed elsewhere in this Quarterly Report on Form 10-Q and in “Part I, Item 1A – Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this Quarterly Report on Form 10-Q. These factors and risks include, among other things, the following:

#### *Risks Related to Our Business and Industry*

- the illegality of cannabis under federal law;
- the uncertainty regarding the regulation of cannabis in the U.S.;
- the effect of constraints on marketing our products;
- the risks related to the newness of the cannabis industry;
- the effect of risks due to industry immaturity;
- the risk we may not be able to grow our product offerings and dispensary services;
- the effect of risks related to material acquisitions, investments, dispositions and other strategic transactions;
- the effect of risks related to growth management;
- the effect of restricted access to banking and other financial services by cannabis businesses and their clients;
- our ability to comply with potential future FDA regulations;
- the effect of restrictions under U.S. border entry laws;
- the effect of heightened scrutiny that we may face in the U.S. and Canada and the effect it could have to further limit the market of our securities for holders in the U.S.;
- our expectation that we will incur significant ongoing costs and obligations related to our infrastructure, growth, regulatory compliance and operations;
- the effect of a limited market for our securities for holders in the U.S.;
- the effect of outbreaks of pandemic diseases, fear of such outbreaks or economic disturbances due to such outbreaks, particularly the impact of the COVID-19 pandemic;
- our ability to locate and obtain the rights to operate at preferred locations;
- the effect of unfavorable tax treatment for cannabis businesses;
- the effect of taxation on our business in the U.S. and Canada;

- the effect of the lack of bankruptcy protections for cannabis businesses;
- the effect of risks related to being a holding company;
- our ability to enforce our contracts;
- the effect of intense competition in the cannabis industry;
- our ability to obtain cannabis licenses or to maintain such licenses;
- the risks our subsidiaries may not be able to obtain their required licenses;
- our ability to accurately forecast operating results and plan our operations;
- the effect of agricultural and environmental risks;
- our ability to adequately protect our intellectual property;
- the effect of risks of civil asset forfeiture of our property;
- the effect of risks related to ineffective internal controls over financial reporting;
- the effect of risks related to a known material weakness in our internal control over financial reporting;
- our dependency on key personnel;
- the risks of a greater likelihood of an IRS audit of cannabis-related businesses;
- the effect of product liability claims;
- the effect of unfavorable publicity or consumer perception;
- the effect of product recalls;
- potential criminal prosecution or civil liabilities under RICO;
- the effect of security risks related to our products and our information technology systems;
- the effect of risks related to misconduct by our service providers and business partners;
- the effect of risks related to labor union activity;
- the effect of risks related to our products;
- the effect of risks related to our significant indebtedness;
- our ability to obtain adequate insurance coverage;
- the effect of risks related to key utility services on which we rely;

*Risks Related to Owning Subordinate Voting Shares*

- the possibility of no positive return on our securities;
- the effect of additional issuances of our securities in the future;
- the effect of sales of substantial amounts of our shares in the public market;
- volatility of the market price and liquidity risks on our shares;
- the lack of sufficient liquidity in the markets for our shares;

*Risks Related to Being a Public Company*

- the increased costs as a result of being a U.S. reporting company;
- the effect of being an “emerging growth company.”

**Item 1. Legal Proceedings.**

There are no actual or to our knowledge contemplated legal proceedings material to us or to which any of our or any of our subsidiaries' property is the subject matter.

**Item 1A. Risk Factors.**

Investing in our Subordinate Voting Shares involves a high degree of risk. Our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 30, 2022 includes a detailed discussion of our risk factors under the heading "Part I, Item 1A—Risk Factors." You should consider carefully the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and all other information contained in or incorporated by reference in this Quarterly Report on Form 10-Q before making an investment decision. If any of the risks discussed in the Annual Report on Form 10-K for the year ended December 31, 2021 actually occur, they may materially harm our business, financial condition, operating results, cash flows or growth prospects. As a result, the market price of our Subordinate Voting Shares could decline, and you could lose all or part of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, financial condition, operating results, cash flows or growth prospects and could result in a complete loss of your investment.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
31.1 *	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2 *	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1 *	<a href="#"><u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRULIEVE CANNABIS CORP.

Date: November 9, 2022

By: \_\_\_\_\_ /s/ Kim Rivers

**Kim Rivers**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 9, 2022

By: \_\_\_\_\_ /s/ Alex D'Amico

**Alex D'Amico**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

Date: November 9, 2022

By: \_\_\_\_\_ /s/ Rebecca Young

**Rebecca Young**  
**Chief Accounting Officer**  
**(Principal Accounting Officer)**



**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kim Rivers certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Trulieve Cannabis Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

By:

/s/ Kim Rivers  
**Kim Rivers**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alex D'Amico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Trulieve Cannabis Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

By:

/s/ Alex D'Amico  
**Alex D'Amico**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned officers of Trulieve Cannabis Corp. (the "Company") certifies, to her or his knowledge and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

By: \_\_\_\_\_ /s/ Kim Rivers

**Kim Rivers**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 9, 2022

By: \_\_\_\_\_ /s/ Alex D'Amico

**Alex D'Amico**  
**Chief Financial Officer**  
**(Principal Financial Officer)**