THESE FINANCIAL STATEMENTS FOR TRULIEVE CANNABIS CORP.

ARE ALSO INCLUDED IN THE FORM 10-K FOR THE

YEAR ENDED DECEMBER 31, 2022

FILED ON SEDAR ON MARCH 8, 2023 IN ITS ENTIRETY

TRULIEVE CANNABIS CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Trulieve Cannabis Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trulieve Cannabis Corp.(the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 2 that were applied to revise the 2020 financial statements and reflect the change in accounting principle related to accounting for income taxes. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2020 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or other form of assurance on the 2020 financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated March 8, 2023, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of the existence of material weaknesses.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has elected to change its method of accounting for deferred tax assets and liabilities in acquisitions.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Inventory

As described in Note 7, to the consolidated financial statements, the Company's consolidated inventory related to cannabis inventory is $297.8 million. As discussed in Note 3, the Company's inventory consists of cannabis plants, work in process and manufactured and purchased finished goods and is valued at cost and subsequently at the lower of cost and net realizable value. Significant inputs and assumptions used in the valuation of inventory (excluding purchased finished goods) include attrition rates of plants, average yield per plant, cumulative stage of completion in the production process and allocation of cost of goods sold. In addition, the Company records a provision for slow-moving and obsolete inventory, which can involve a high degree of judgment. The Company periodically reviews its inventory and identifies that which is excess, slow moving and obsolete by considering factors such as inventory levels, expected product life and forecasted sales demand.

We identified the valuation of inventory as a critical audit matter because of the significance of this balance sheet item, the significant assumptions management makes with regards to its valuation of inventory and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's assumptions and estimates.

Addressing the matter involved performing the procedures and evaluating audit evidence, in connection with forming our overall opinion on the consolidated financial statements Our procedures related to the valuation of inventory included, among others:

- We obtained an understanding and evaluated the design of the internal controls over management's valuation of inventory
- We evaluated the significant assumptions stated above and the completeness and accuracy of the underlying data used in management's costing and valuation
- Testing of attrition rates, average yield and cumulative stage of completion involved performing physical observations of the growing cannabis and assessing quantities and growth stage as compared to the plants life cycle
- Testing of harvest and extraction yields involved performing physical observations of each process.
- Testing of managements assumptions related to costs of goods sold, sales price and expected yields involved evaluating whether the assumptions used were reasonable considering(i) historical actual information (ii) independent calculations and observations of these inputs (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit
- We evaluated management's provision for slow-moving and obsolete inventory calculation, by reviewing inputs, including historical sales activity versus on-hand inventory levels, we reviewed current selling prices versus current cost

Evaluation of Impairment Assessment

As described in Note 3 to the consolidated financial statements, the Company tests goodwill for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. The Company performed a qualitative assessment to determine whether it was more-likely-than-not if the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. A number of factors, including historical results, business plans, forecasts, market data, and a reasonable control premium were considered in the evaluation of the fair value of the reporting unit. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill. The Company reviews long-lived assets, including property and equipment, definite life intangible assets, and right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy of the business, a significant decrease in the market value of the assets or significant negative industry or economic trends.

Auditing management's impairment assessment is complex due to the judgments and assumptions required to evaluate management's considerations of those factors identified above. Auditing these assumptions involved extensive audit effort, including the need to involve our valuation specialists, due to the complexity of these assumptions and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

The primary procedures we performed to address this critical audit matter included:

- We obtained an understanding and evaluated the design of the internal controls over management's annual impairment assessment, including controls addressing:
  - Management's assessment of potential triggering events indicating potential impairment
  - Management's assessment of qualitative factors that may indicate potential impairment
- Substantively tested the appropriateness of the judgments and assumptions used by management in conducting its impairment analysis, including:

  <u>*Goodwill*</u>

- o Evaluated management’s qualitative assessment by comparing the relevant factors to current industry, market and economic trends, to the Company's historical results, third party industry outlook reports and other relevant data
- o With the assistance of valuation specialists, performed an assessment of the Company’s comparison of its market capitalization to the carrying value of the reporting unit by comparing the implied control premium to a range of control premiums determined from publicly available data

Long-lived assets

- o Evaluated the factors management considered in its conclusion on triggering events and where triggering events were identified on a state-by-state basis. Factors evaluated included historical or projected future operating results and cash flows, significant changes in use of the assets or business strategy, or significant negative industry or economic trends.
- o Tested the Company’s historical state-by-state cash flows performed in its triggering events analysis and agreed the underlying data and management’s conclusions to evidence obtained in other areas of our audit.
- o Tested the Company's estimate of undiscounted cash flows from its Massachusetts long-lived assets including, among other procedures, evaluating the significant assumptions used, testing the completeness and accuracy of the underlying data, performing sensitivity analyses, and evaluating the appropriateness of the conclusion of no resulting impairment.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2021.

West Palm Beach, FL
March 8, 2023

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Shareholders and Board of Directors of
Trulieve Cannabis Corp.

Adverse Opinion on Internal Control over Financial Reporting

We have audited Trulieve Cannabis Corp.'s (the "Company") internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in "Management's Annual Report on Internal Control Over Financial Reporting":

> Information technology general controls (ITGCs) were not designed and operating effectively to ensure (i) that access to applications and data, and the ability to make program and job changes, were adequately restricted to appropriate personnel and (ii) that the activities of individuals with access to modify data and make program and job changes were appropriately monitored. Business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted;
>
> Ineffective design, implementation, and documentation of management review controls related to the valuation of inventory;
>
> Ineffective design of controls to identify and evaluate the existence of, and accounting for, variable interest entities.

These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the fiscal December 31, 2022 consolidated financial statements, and this report does not affect our report dated March 8, 2023 on those consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and related notes of the Company, and our report dated March 8, 2023expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2021.

West Palm Beach, FL
March 8, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Trulieve Cannabis Corp.

Opinion on the Consolidated Financial Statements

We have audited, before the effects of the adjustments for the Change in Accounting Principle and the Revision of Previously Issued Financial Statements described in Note 2, the accompanying consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements, before the effects of the adjustments for the Change in Accounting Principle and the Revision of Previously Issued Financial Statements described in Note 2, present fairly, in all material respects, the results of its consolidated operations and its consolidated cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments for the Change in Accounting Principle and the Revision of Previously Issued Financial Statements described in Note 2 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by the successor auditor.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ MNP LLP

Chartered Professional Accountants;

Licensed Public Accountants

We have served as the Company's auditor since 2018.

Ottawa, Canada
March 22, 2021

TRULIEVE CANNABIS CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 212,266	$ 230,085
Restricted cash	6,607	3,013
Accounts receivable, net	9,443	8,601
Inventories, net	297,815	209,943
Prepaid expenses and other current assets	63,627	68,145
Notes receivable - current portion	728	1,530
Assets associated with discontinued operations	2,466	3,615
Total current assets	592,952	524,932
Property and equipment, net	796,947	779,413
Right of use assets - operating, net	101,379	111,723
Right of use assets - finance, net	76,231	66,764
Intangible assets, net	1,012,646	1,081,240
Goodwill	791,495	765,358
Notes receivable, net	11,992	12,147
Other assets	14,716	17,640
Long-term assets associated with discontinued operations	690	52,167
TOTAL ASSETS	$ 3,399,048	$ 3,411,384
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 83,212	$ 93,801
Income tax payable	49,024	28,084
Deferred revenue	9,502	7,206
Notes payable - current portion, net	12,453	10,052
Operating lease liabilities - current portion	10,448	10,020
Finance lease liabilities - current portion	8,727	6,185
Construction finance liabilities - current portion	1,189	991
Contingencies	34,666	13,017
Liabilities associated with discontinued operations	482	92
Total current liabilities	209,703	169,448
Long-Term Liabilities:		
Notes payable, net	94,247	6,456
Private placement notes, net	541,664	462,929
Warrant liabilities	252	2,895
Operating lease liabilities	102,388	107,570
Finance lease liabilities	75,838	65,244
Construction finance liabilities	182,361	175,198
Deferred tax liabilities	224,137	241,882
Other long-term liabilities	26,183	8,400
Long-term liabilities associated with discontinued operations	14,571	23,989
TOTAL LIABILITIES	1,471,344	1,264,011
Commitments and contingencies (see Note 22)		
SHAREHOLDERS' EQUITY		
Common Stock, no par value; unlimited shares authorized. 185,987,512 and 180,504,172 issued and outstanding as of December 31, 2022 and December 31, 2021, respectively.	—	—
Additional paid-in-capital	2,045,003	2,008,100
Accumulated (deficit) earnings	(113,843)	137,721
Non-controlling interest	(3,456)	1,552
TOTAL SHAREHOLDERS' EQUITY	1,927,704	2,147,373
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,399,048	$ 3,411,384

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

TRULIEVE CANNABIS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(in thousands, except per share data)

	2022	2021	2020
Revenue, net	$ 1,239,812	$ 937,981	$ 521,533
Cost of goods sold	557,820	370,169	135,116
Gross profit	681,992	567,812	386,417
Expenses:			
Sales and marketing	284,936	215,146	119,395
General and administrative	169,731	100,509	36,056
Depreciation and amortization	119,371	47,229	12,600
Impairment and disposal of long-lived assets, net	75,547	5,371	63
Total expenses	649,585	368,255	168,114
Income from operations	32,407	199,557	218,303
Other income (expense):			
Interest expense	(79,771)	(34,787)	(20,237)
Change in fair value of derivative liabilities - warrants	2,643	208	(42,679)
Other income, net	1,376	1,109	2,062
Total other expense, net	(75,752)	(33,470)	(60,854)
(Loss) income before provision for income taxes	(43,345)	166,087	157,449
Provision for income taxes	161,820	146,703	94,451
Net (loss) income from continuing operations and comprehensive (loss) income	(205,165)	19,384	62,998
Net loss from discontinued operations, net of tax benefit of $10,663 and $642, respectively	(47,562)	(1,939)	—
Net (loss) income	(252,727)	17,445	62,998
Less: Net loss and comprehensive loss attributable to non-controlling interest from continuing operations	(6,663)	(587)	—
Net (loss) income and comprehensive (loss) income attributable to common shareholders	$ (246,064)	$ 18,032	$ 62,998
Net (loss) income per share - Continuing operations:			
Basic	$ (1.06)	$ 0.14	$ 0.55
Diluted	$ (1.06)	$ 0.14	$ 0.53
Net loss per share - Discontinued operations:			
Basic and diluted	$ (0.25)	$ (0.01)	$ —
Weighted average number of common shares used in computing net (loss) income per common share:			
Basic	187,995,317	139,366,940	113,572,379
Diluted	187,995,317	146,757,286	118,325,724

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

TRULIEVE CANNABIS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except per data)

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Balance, January 1, 2020	67,813,300	6,661,374	35,871,672	110,346,346	$ 76,192	$ 56,691	$ —	$ 132,883
Share-based compensation	—	—	—	—	2,765	—	—	2,765
Reclassification of warrants to equity	—	—	—	—	52,570	—	—	52,570
Shares issued for cash - warrant exercises	—	—	2,723,411	2,723,411	11,459	—	—	11,459
Contingent consideration payable in shares	—	—	—	—	65,000	—	—	65,000
Exercise of stock options	—	—	9,180	9,180	—	—	—	—
Issuance of shares in private placement, net of issuance costs	—	—	4,715,000	4,715,000	83,228	—	—	83,228
Shares issued for PurePenn, LLC and Solevo Wellness acquisitions	—	—	1,780,061	1,780,061	37,000	—	—	37,000
Conversions of Multiple Voting to Subordinate Voting Shares	(9,630,800)	(5,222,337)	14,853,137	—	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	62,998	—	62,998
Balance, December 31, 2020	58,182,500	1,439,037	59,952,461	119,573,998	$ 328,214	$ 119,689	$ —	$ 447,903
Share-based compensation	—	—	—	—	9,254	—	—	9,254
Exercise of stock options	—	—	75,716	75,716	352	—	—	352
Shares issued for cash - warrant exercises	—	—	569,533	569,533	7,672	—	—	7,672
Subordinate Voting Shares issued upon cashless warrant exercise	—	—	2,075,987	2,075,987	—	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(39,898)	(39,898)	(1,072)	—	—	(1,072)
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)
Conversion of Super Voting Shares to Subordinate Voting Shares	(3,021,100)	—	3,021,100	—	—	—	—	—
Conversion of Super Voting Shares to Multiple Voting Shares	(55,161,400)	55,161,400	—	—	—	—	—	—
Conversion of Multiple Voting Shares to Subordinate Voting Shares	—	(4,683,438)	4,683,438	—	—	—	—	—
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	9,139	—	—	9,139
Shares issued for the Patient Centric of Martha's Vineyard Ltd. acquisition	—	—	258,383	258,383	10,012	—	—	10,012
Shares issued for Anna Holdings, LLC acquisition	—	—	1,009,336	1,009,336	35,385	—	—	35,385
Shares issued for Harvest Health & Recreation, Inc. acquisition	—	—	50,921,236	50,921,236	1,387,418	—	2,139	1,389,557
Net income and comprehensive income	—	—	—	—	—	18,032	(587)	17,445
Balance, December 31, 2021	—	51,916,999	128,587,173	180,504,172	$ 2,008,100	$ 137,721	$ 1,552	$ 2,147,373

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

TRULIEVE CANNABIS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(in thousands, except per data)

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Balance, December 31, 2021	—	51,916,999	128,587,173	180,504,172	$ 2,008,100	$ 137,721	$ 1,552	$ 2,147,373
Share-based compensation	—	—	—	—	18,124	—	—	18,124
Exercise of stock options	—	—	59,971	59,971	156	—	—	156
Shares issued for cash - warrant exercise	—	—	1,428,262	1,428,262	19,238	—	—	19,238
Subordinate Voting Shares issued under share compensation plans	—	—	179,857	179,857	—	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(47,801)	(47,801)	(615)	—	—	(615)
Conversion of Multiple Voting Shares to Subordinate Voting Shares	—	(25,690,613)	25,690,613	—	—	—	—	—
Shares issued for PurePenn, LLC, Pioneer Leasing & Consulting LLC, and Solevo Wellness West Virginia, LLC earnout	—	—	3,626,295	3,626,295	—	—	—	—
Release of escrow shares	—	—	236,756	236,756	—	—	—	—
Distribution payable for acquisition of variable interest entity	—	—	—	—	—	(5,500)	—	(5,500)
Distribution	—	—	—	—	—	—	(50)	(50)
Divestment of variable interest entity	—	—	—	—	—	—	110	110
Measurement period adjustment - Harvest Health & Recreation, Inc.	—	—	—	—	—	—	1,595	1,595
Net loss and comprehensive loss	—	—	—	—	—	(246,064)	(6,663)	(252,727)
Balance, December 31, 2022	—	26,226,386	159,761,126	185,987,512	$ 2,045,003	$ (113,843)	$ (3,456)	$ 1,927,704

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

TRULIEVE CANNABIS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2022	2021	2020
Cash flow from operating activities			
Net (loss) income and comprehensive (loss) income	$ (252,727)	$ 17,445	$ 62,998
Adjustments to reconcile net (loss) income and comprehensive (loss) income to net cash provided by operating activities:			
Depreciation and amortization	121,776	48,096	12,600
Depreciation and amortization included in cost of goods sold	52,541	24,073	11,542
Non-cash interest expense	5,408	3,463	2,476
Non-cash interest income	(515)	—	—
Impairment and disposal of long-lived assets, net	75,547	5,371	63
Amortization of operating lease right of use assets	11,252	6,051	6,045
Accretion of construction finance liabilities	1,470	1,209	413
Share-based compensation	18,124	9,254	2,765
Change in fair value of derivative liabilities - warrants	(2,643)	(208)	42,679
Non-cash change in contingencies	23,017	9,269	—
Allowance for credit losses	3,617	—	—
Deferred income tax expense	(27,174)	(26,262)	(4,887)
Loss from disposal of discontinued operations	49,130	—	—
Changes in operating assets and liabilities:			
Inventories	(83,430)	(19,573)	(22,534)
Accounts receivable	(4,206)	(4,901)	1,110
Prepaid expenses and other current assets	5,264	(8,080)	(4,502)
Other assets	2,388	(6,276)	(9,685)
Accounts payable and accrued liabilities	(819)	(9,659)	298
Income tax payable	19,756	(12,979)	(2,452)
Contingencies	(1,368)	(15,799)	704
Operating lease liabilities	(10,002)	(4,164)	(4,764)
Deferred revenue	2,370	(4,642)	4,774
Other long-term liabilities	14,320	1,210	—
Net cash provided by operating activities	23,096	12,898	99,643
Cash flow from investing activities			
Purchases of property and equipment	(164,749)	(275,902)	(99,941)
Purchases of property and equipment related to construction finance liabilities	(13,247)	(20,979)	(41,116)
Capitalized interest	(4,732)	(9,234)	(4,803)
Payments made for issuance of note receivable	—	(4,000)	—
Purchases of internal use software	(9,214)	(3,716)	—
Acquisitions, net of cash acquired	(27,781)	43,453	(27,923)
Cash paid for license	(1,855)	—	(887)
Proceeds from sale of intangible asset	—	54,996	—
Proceeds received from notes receivable	1,472	160	—
Proceeds from sale of property and equipment	739	38	16
Proceeds from sale of variable interest entities	2,037	—	—
Proceeds from sale of held for sale assets	2,273	—	—
Net cash used in investing activities	(215,057)	(215,184)	(174,654)
Cash flow from financing activities			
Proceeds from private placement notes, net of discounts and issuance costs	75,635	342,586	—
Proceeds from notes payable, net of discounts and issuance costs	90,541	6,032	—
Proceeds from shares issued pursuant to private placement notes, net of issuance costs	—	217,896	83,228
Proceeds from warrant exercises	19,238	7,672	11,459
Proceeds from stock option exercises	156	352	—
Proceeds from construction finance liabilities	7,047	13,250	41,116
Payments on notes payable	(2,928)	(280,788)	—
Payments on private placement notes	(1,874)	—	—
Payments on finance lease obligations	(7,361)	(4,434)	(4,951)
Payments on construction finance liabilities	(1,161)	—	—
Payments for debt issuance costs	(832)	(251)	—
Payments on notes payable - related party	—	(12,011)	(941)
Payments for taxes related to net share settlement of equity awards	(615)	(1,072)	—
Distributions	(50)	—	—
Net cash provided by financing activities	177,796	289,232	129,911
Net (decrease) increase in cash, cash equivalents, and restricted	(14,165)	86,946	54,900
Cash, cash equivalents, and restricted cash, beginning of period	233,098	146,713	91,813
Cash and cash equivalents of discontinued operations, beginning of period	561	—	—
Less: cash and cash equivalents of discontinued operations, end of period	(621)	(561)	—
Cash, cash equivalents, and restricted cash, end of period	$ 218,873	$ 233,098	$ 146,713

*The consolidated statements of cash flows include continuing operations and discontinued operations for the years ended December 31, 2022 and December 31, 2021. There were no discontinued operations for the year ended December 31, 2020.

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

TRULIEVE CANNABIS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)

Supplemental disclosure of cash flow information	2022	2021	2020
Cash paid for			
Interest	$ 76,142	$ 39,075	$ 22,135
Income taxes, net	$ 146,672	$ 178,657	$ 105,248
Noncash investing and financing activities			
Acquisition fair value adjustments	1,595	3,964	—
Purchase of property and equipment financed with accounts payable	3,924	17,861	13,613
Acquisition of variable interest entity with note payable	5,500	—	—
Value of shares issued for acquisitions	—	1,447,973	37,000
Value of shares reserved for PurePenn, LLC and Solevo Wellness West Virginia, LLC acquisitions	—	(2,800)	65,000
Purchase of PP&E through exchange of ROU asset	3,355	—	—
Derecognition of ROU asset	(3,355)	—	—
ASC 842 lease additions - operating and finance leases	41,141	61,195	33,647
ASC 842 lease terminations	—	1,035	—

The following table presents a reconciliation of the beginning of period and end of period cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the totals shown in the consolidated statements of cash flows for the periods indicated below:

	2022	2021	2020
Beginning of year:			
Cash and cash equivalents	$ 230,085 (1)	$ 146,713	$ 91,813
Restricted cash	3,013	—	—
Cash, cash equivalents and restricted cash	$ 233,098	$ 146,713	$ 91,813
End of year:			
Cash and cash equivalents	$ 212,266 (2)	$ 230,085 (1)	$ 146,713
Restricted cash	6,607	3,013	—
Cash, cash equivalents and restricted cash	$ 218,873	$ 233,098	$ 146,713

(1) Excludes $0.5 million attributable to discontinued operations.
(2) Excludes $0.6 million attributable to discontinued operations.

The accompanying notes are an integral part of these 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 December 31, 2022, held or had been awarded 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 the Company classified the operations as discontinued, it still holds a license to operate in the state as of December 31, 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 financial statements for the years ended December 31, 2022, 2021, and 2020 include the financial position and operations of Trulieve Cannabis Corp. and its subsidiaries. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the assets, liabilities, revenue, and expenses of all wholly-owned subsidiaries and variable interest entities for which the Company has determined it is the primary beneficiary. Outside shareholders' interests in subsidiaries are shown on the consolidated financial statements as non-controlling interests. Material intercompany balances and transactions are eliminated in consolidation.

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support, is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights, or do not substantively participate in the gains and losses of the entity. Upon inception of a contractual agreement, the Company performs an assessment to determine whether the arrangement contains a variable interest in a legal entity and whether that legal entity is a VIE. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE entity that could potentially be significant to the VIE. Where the Company concludes it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE. When the Company is not the primary beneficiary, the VIE is accounted for in accordance with the relevant accounting guidance.

The Company regularly reviews and reconsiders previous conclusions regarding whether it is the primary beneficiary of a VIE in accordance with FASB ASC 810. The Company also reviews and reconsiders previous conclusions regarding whether the Company holds a variable interest in a potential VIE, the status of an entity as a VIE, and whether the Company is required to consolidate such VIE in the consolidated financial statements when a change occurs.

Discontinued Operations

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 on our consolidated balance sheets and the results of the Nevada operations have been presented as discontinued operations within our 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*.

Basis of Measurement

These 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 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.

Change in Accounting Principle

In the fourth quarter of 2021, the Company elected to change its accounting principle for measuring deferred tax assets and liabilities in acquisitions. Under the new principle, tax basis is determined by applying the relevant tax laws, whereas previously, tax basis was determined by upon the future deductibility of the recovery or settlement. This change in accounting principle resulted in a reduction of the acquired assets fair value, (or in some instances goodwill) and the corresponding deferred tax liabilities. The Company believes this change in principle is preferable as it supported by authoritative guidance and standard practice in the industry.

This change in accounting principle has been applied retrospectively, and the consolidated balance sheets reflect the effect of this accounting principle change in all years presented. This change in accounting principle had an insignificant impact on the consolidated statements of operations and comprehensive income and the consolidated statements shareholders' equity. There was no impact on the consolidated statements of cash flows. See the table below in *Revision of Previously Issued Financial Statements* for the effects of the change in principle for acquired assets on the consolidated balance sheet as of December 31, 2020.

Revision of Previously Issued Financial Statements

During the year ending December 31, 2021, the Company identified an error in its accounting for leases which was due to the lack of a complete lease population and the conclusions reached for the commencement date for leases not aligning with the possession date of the associated right of use asset. This resulted in an understatement of the associated right of use assets and the associated lease liabilities for the previously reported December 31, 2020, results. The Company also identified a misstatement related to the accounting for asset acquisitions that were consummated during the three months ended June 30, 2021, which was due to the Company initially valuing the equity consideration transferred using the contract value whereas the fair value as of the closing date should have been used. This resulted in an understatement of intangible assets, an understatement of the associated deferred tax liabilities and an understatement of additional paid-in-capital. Additionally, the Company identified assets not likely to be converted within a year were classified as prepaid expenses and other current assets, rather than other assets.

The Company evaluated the misstatements and concluded that the misstatements were not material, either individually or in the aggregate, to its current or previously issued consolidated financial statements.

To correct the immaterial misstatements, during the year ended December 31, 2021, the Company elected to revise its previously issued December 31, 2020, consolidated balance sheet. The revision of the historical consolidated balance sheet includes the correction of these immaterial misstatements as well as other previously identified balance sheet misclassifications. Accordingly, the accompanying annual audited consolidated balance sheet and relevant footnotes in this Annual on Form 10-K as well as the 2020 consolidated balance sheet have been revised to correct for such immaterial misstatements.

Accordingly, the accompanying December 31, 2020, consolidated balance sheet has been revised to correct for such immaterial misstatements.

The impact of the revision and the change in accounting principle on the Company's consolidated balance sheet as of December 31, 2020, is reflected in the following table:

Balance Sheet as of December 31, 2020	**As Previously Reported**	**Revisions**	**Change in Principle**	**As Revised**
		(in thousands)		
Prepaid expenses and other current assets	$ 19,815	$ (3,696)	$ —	$ 16,119
Total current assets	265,148	(3,696)	—	261,452
Right of use assets - operating, net	28,171	1,905	—	30,076
Intangible assets, net	93,800	—	(1,204)	92,596
Goodwill	74,100	—	(6,924)	67,176
Other assets	3,944	3,583	—	7,527
Total assets	816,112	1,792	(8,128)	809,776
Operating lease liabilities, current portion	3,154	123	—	3,277
Total current liabilities	75,998	123	—	76,121
Operating lease liabilities	26,450	1,670	—	28,120
Deferred tax liabilities	23,575	—	(8,128)	15,447
Total liabilities	$ 368,208	$ 1,793	$ (8,128)	361,873

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Company are as follows:

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 fair value, cash held in financial institutions and cash 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, 2022, restricted cash was $6.6 million and consists of amounts held by or with financial institutions pursuant to contractual arrangements. Restricted cash as of December 31, 2021 was $3.0 million and represented cash consideration set aside as a reserve in relation to an escrow held for a pending legal settlement. This restricted cash was released in January 2022 as the litigation was settled in December 2021 and final escrow was released in January 2022.

Accounts Receivable and Notes Receivable

The Company reports accounts receivable at their net realizable value, which is management's best estimate of the cash that will ultimately be received from customers. The Company's notes receivable represent notes due from various third parties. The Company maintains an allowance for expected credit losses to reflect the expected uncollectability of accounts receivable and notes receivable based on historical collection data and specific risks identified among uncollected accounts, as well as management's expectation of future economic conditions. The Company also considers relevant qualitative and quantitative factors to assess whether historical loss experience should be adjusted to better reflect the risk characteristics of the companies receivables and the expected future losses. If current or expected future economic trends, events, or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Accounts receivable and notes receivable are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible.

Inventory

Inventories are comprised of raw materials (includes cannabis plants and packaging materials), work in process, and finished goods. Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion, disposal, and transportation for inventories in process. Cost is determined using the weighted average cost method.

Costs incurred during the growing and production process are capitalized as incurred to the extent that cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the growing and production processes. The Company capitalizes pre-harvest costs.

The Company periodically reviews its inventory and identifies that which is excess, slow moving and obsolete by considering factors such as inventory levels, expected product life and forecasted sales demand. Any identified excess, slow moving and obsolete inventory is written down to its net realizable value through a charge to cost of goods sold.

Prepaid Expenses and Other Current Assets

As of December 31, 2022 and 2021, prepaid expenses and other current assets consisted of the following:

	Year Ended December 31,	
	2022	**2021**
	(in thousands)	
Prepaid expenses	$ 19,665	$ 27,778
Amounts held in escrow	22,499	—
Held for sale assets, net	14,521	8,719
Deposits	2,509	9,650
Tenant improvement receivables	668	9,806
Other current assets	3,765	12,192
Total prepaids and other current assets	$ 63,627	$ 68,145

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is recognized on a straight-line basis over the following estimated useful lives:

Land	Not depreciated
Land improvements	20 to 30 years
Buildings & improvements	7 to 40 years
Furniture & equipment	3 to 10 years
Vehicles	3 to 5 years
Construction in progress	Not depreciated
Leasehold improvements	The lessor of the life of the lease or the estimated useful life of the asset

The Company capitalizes interest on debt financing invested in projects under construction. Upon the asset becoming available for use, capitalized interest costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset.

The Company classifies assets as held for sale and ceases depreciation of the assets when there is a plan for disposal of the assets and those assets meet the held for sale criteria. Gains or losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized within the statements of operations and comprehensive (loss) income. Construction in progress is transferred when available for use and depreciation of the assets commences at that point.

The Company reviews properties for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable.

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 continues to be recognized until the date of disposal.

As of December 31, 2022, the Company had $14.5 million in assets held for sale which are recorded in prepaid expenses and other current assets on the consolidated balance sheets, and primarily consists of property and equipment. The Company received proceeds of $2.2 million in connection with the settlement and disposal of assets held for sale during the year ended December 31, 2022. As of December 31, 2021, the Company had $8.7 million in net assets held for sale which primarily consisted of property and equipment, leases and related liabilities, and a note payable.

		(in thousands)
Held for sale assets, net as of December 31, 2021	$	8,719
Assets moved to held for sale		15,171
Net asset settlements		(727)
Impairments [1]		(2,460)
Disposals [1]		(6,182)
Held for sale assets, net as of December 31, 2022	$	14,521

(1) Recorded within impairment and disposal of long-lived assets, net in the consolidated statement of operations and comprehensive (loss) income.

Subsequent to December 31, 2022, the Company released held for sale assets of $1.0 million and received approximately $0.5 million in proceeds. Further, the Company determined to reposition $2.6 million in assets held for use to held for sale as part of its continued efforts to optimize our assets and resources in the markets in which it serves. The Company expects to sell the assets, which primarily consist of property and equipment, within the near-term.

Leases

The Company enters into leases in the normal course of business, primarily for retail space, production facilities, and equipment used in the production and sale of its products. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company made an accounting policy election not to recognize right-of-use assets and lease liabilities for leases with a lease term of 12 months or less. Instead lease payments for these leases are recognized as lease expense on a straight-line basis over the lease term.

The Company recognizes a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as prepaid rents. The right-of-use asset represents the right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company uses its incremental borrowing rate to determine the present value of the lease payments. The Company’s incremental borrowing rate is the rate of interest that it would have to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company has lease agreements that contain both lease and non-lease components. For lease agreements entered into or reassessed after the adoption of Accounting Standard’s Codification 842, Leases, the Company elected to combine lease and non-lease components for all classes of assets.

For finance leases, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, the right-of-use asset is amortized on a straight-line basis and the interest expense is recognized on the lease liability using the effective interest method. For operating leases, lease expense is recognized on a straight-line basis over the term of the lease and presented as a single charge within the consolidated statements of operations and comprehensive (loss) income.

The lease term at the lease commencement date is determined based on the noncancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Company considers a number of factors when evaluating whether the options in its lease contracts are reasonably certain of exercise, such as length of time before an option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to the Company's operations, costs to negotiate a new lease, any contractual or economic penalties, and the economic value of leasehold improvements.

Certain lease arrangements contain provisions requiring the Company to remove lessee installed leasehold improvements at the expiration of the lease. As this obligation is a direct result of the Company's decision to install leasehold improvements and does not arise solely because of the lease the Company excludes these obligations from lease payments and variable lease payments. The Company records these obligations as asset retirement obligations. The fair value of these obligations are recorded as liabilities on a discounted basis, which occurs as of lease commencement. In the estimation of fair value, the Company uses assumptions and judgements for an asset retirement obligation. The costs associated with these liabilities are capitalized with the associated leasehold improvement and depreciated over the lease term with the liabilities accreted over the same period. Asset retirement obligations related to our leases as of December 31, 2022 included $0.1 million included in other current liabilities, and $0.9 million included in other long-term liabilities on the consolidated balance sheets, respectively. As of December 31, 2021, asset retirement obligations related to our leases was $0.8 million and is included in other long-term liabilities on the consolidated balance sheets.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combinations are measured at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Internal Use Software

The Company capitalizes certain costs in connection with obtaining or developing software for internal use. Further, the Company capitalizes qualifying costs incurred for upgrades and enhancements that result in additional functionality or extend the assets useful life. Amortization of such costs commences when the project is substantially completed and ready for its intended use. Capitalized software development costs are classified as intangible assets, net on the consolidated balance sheets.

Intangible assets are amortized using the straight-line method over estimated useful lives as follows:

Licenses	15 years
Internal use software	3 to 5 years
Tradenames	2 to 10 years
Customer relationship	1 to 5 years
Non-compete	2 years
Trademarks	1 to 5 years

Accounts Payable and Accrued Liabilities

As of December 31, 2022 and 2021, accounts payable and accrued liabilities consisted of the following:

	Year Ended December 31,	
	2022	2021
	(in thousands)	
Trade accounts payable	$ 16,406	$ 14,338
Nontrade accrued liabilities [1]	34,859	41,904
Accrued compensation and benefits	19,547	24,744
Non income taxes payable	5,812	5,487
Other	6,588	7,328
Total accounts payable and accrued liabilities	$ 83,212	$ 93,801

(1) Nontrade accrued liabilities includes recurring accruals for items including but not limited to: interest, utilities, insurance, and inventory.

Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

Derivative Financial Instruments

In accordance with the guidance in ASC Topic 815 ("ASC 815"), *Derivatives and Hedging*, derivative financial instruments are recognized as assets or liabilities on the consolidated balance sheets at fair value. The Company has not designated its interest rate swap ("Swap") contracts as hedges for accounting treatment. Pursuant to U.S. GAAP, income or loss from fair value changes for derivatives that are not designated as hedges are reflected as income or loss within interest expense within the consolidated statements of operations and comprehensive (loss) income and other assets or liabilities on the consolidated balance sheets.

Fair Value of Financial Instruments

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Observable inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices in active markets, which are observable for the asset or liability, either directly or indirectly; and
Level 3 – Unobservable inputs for which there is little or no market data requiring the Company to develop its own assumptions.

The fair values of financial instruments by class are as follows as of December 31:

	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
				(in thousands)				
Financial Assets:								
Money market funds (1)	$ 340	$ —	$ —	$ 340	$ 94,161	$ —	$ —	$ 94,161
Financial Liabilities:								
Interest rate swap (2)	$ —	$ 2,536	$ —	$ 2,536	$ —	$ —	$ —	$ —
Warrant liabilities (3)	$ —	$ 252	$ —	$ 252	$ —	$ 2,895	$ —	$ 2,895

There have been no transfers between hierarchy levels during the years ended December 31, 2022 and 2021.

(1) Money market funds are included within cash and cash equivalents in the Company's consolidated balance sheets. As a short-term, highly liquid investments readily convertible to known amounts of cash, the Company's money market funds have carrying values that is fair value.

(2) In November 2022 the Company entered into an interest rate swap contract ("VNB Swap") for the purpose of hedging the variability of interest expense and interest payments on the Company's long-term variable debt. The VNB Swap is carried at fair value which is based on a valuation model that utilizes interest rate yield curves and credit spreads observable in active markets as the significant inputs to the model. The Company considers credit risk associated with its own standing as well as the credit standing of any counterparties involved in the valuation of its financial instruments. The total fair value and carrying value of the VNB Swap is recorded to other long-term liabilities on the consolidated balance sheets. See *Note 23. Derivative Instruments* for additional considerations.

(3) In October 2021 the Company acquired 1,679 warrants in connection with the acquisition of Harvest ("Harvest Liability Warrants"). The total fair value and carrying value of such is recorded to warrant liabilities on the consolidated balance sheets as of December 31, 2022 and 2021, respectively. See *Note 14. Share Capital* for additional considerations.

Warrants

Warrants are accounted for in accordance with applicable accounting guidance provided in ASC 815 Derivatives and Hedging – Contracts in Entity's Own Equity, as either liabilities or as equity instruments depending on the specific terms of the warrant agreement. Warrants classified as liabilities are recorded at fair value and are remeasured at each reporting date until settlement. Changes in fair value are recognized as a component of other expense, net within the consolidated statements of operations and comprehensive (loss) income as change in fair value of derivative liabilities - warrants. Transaction costs allocated to warrants that are presented as a liability were immediately expensed within the statements of operations and comprehensive (loss) income. Warrants classified as equity instruments are initially recognized at fair value and are not subsequently remeasured.

Earnings per share

Basic earnings attributable to common shareholders is computed by dividing reported net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share attributable to common shareholders is computed by dividing reported net income (loss) attributable to common shareholders by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of share options, warrants, and RSUs and the incremental shares issuable upon conversion of similar instruments.

In computing diluted earnings per share, common share equivalents are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive. See *Note. 16 Earnings Per Share*.

Revenue Recognition

The Company generates revenue from the sale of cannabis and cannabis related products. Revenue is recognized in accordance with ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the transaction price consideration that the Company expects to receive in exchange for those goods or services. Our revenue excludes sales, use, and excise-based taxes collected and is reported net of sale discounts. Revenue associated with any unsatisfied performance obligation is deferred until the obligation is satisfied (i.e., when control of a product is transferred to the customer).

Revenues consist of retail and wholesale sales, which are recognized when control of the goods has transferred to the customer and collectability is reasonably assured. This is generally when goods have been delivered, which is also when the performance obligation has been fulfilled under the terms of the related sales contract.

Revenue from retail sales of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has accepted and paid for the goods. Revenue from the wholesale of cannabis to customers is recognized upon delivery to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Loyalty program

For most of its locations, the Company offers a loyalty reward program to its dispensary customers that allows customers to earn reward credits to be used on future purchases. Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are shown as reductions to 'revenue, net of discounts' line within the accompanying consolidated statements of operations and comprehensive (loss) income and included as deferred revenue on the consolidated balance sheets. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. Expiration policies vary between six months and indefinite depending on the specific loyalty program. As of December 31, 2022 and 2021, the loyalty liability totaled $8.9 million and $6.7 million, respectively, and is included in deferred revenue on the consolidated balance sheets. Included within deferred revenue as of December 31, 2022 and 2021 are customer credit balances of $0.6 million and $0.6 million, respectively.

Income Taxes

The Company uses the asset and liability method to account for income taxes. 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 the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to costs of goods sold.

The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within provision for income taxes within the consolidated statements of operations and comprehensive (loss) income.

Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expenses within the accompanying consolidated statements of operations and comprehensive (loss) income and totaled $8.2 million, $7.5 million, and $2.1 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Business combinations and goodwill

The Company accounts for business combinations using the acquisition method in accordance with Accounting Standards Codification ASC 805, *Business Combinations* which requires recognition of assets acquired and liabilities assumed, including contingent assets and liabilities, at their respective fair values on the date of acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates, with the corresponding gain or loss recognized within the consolidated statements of operations and comprehensive (loss) income.

Non-controlling interests in the acquiree are measured at fair value on acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Loans acquired in business combinations are initially recorded at fair value, which includes an estimate of credit losses expected to be realized over the remaining lives of the loans and, therefore, no corresponding allowance for loan losses is recorded for such loans at acquisition.

Purchase price allocations may be preliminary and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

Goodwill represents the excess of the consideration transferred for the acquisition of subsidiaries over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Cannabis licenses are the primary intangible asset acquired in business combinations as they provide the Company the ability to operate in each market. However, some cannabis licenses are subject to renewal and therefore there is some risk of non-renewal for several reasons, including operational, regulatory, legal, or economic. To appropriately consider the risk of non-renewal, the Company applies probability weighting to the expected future net cash flows in calculating the fair value of these intangible assets. The key assumptions used in these cash flow projections include discount rates and terminal growth rates. Of the key assumptions used, the impact of the estimated fair value of the intangible assets has the greatest sensitivity to the estimated discount rate used in the valuation. The terminal growth rate represents the rate at which these businesses will continue to grow into perpetuity. Other significant assumptions include revenue, gross profit, operating expenses, and anticipated capital expenditures which are based upon the Corporation’s historical operations along with management projections. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Non-controlling Interest

Non-controlling interests (“NCI”) represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI’s proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The Company measures each NCI at its proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The share of net assets attributable to NCI is presented as a component of equity. NCI's share of net income or loss is recognized directly in equity. Total income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance. See *Note 19. Variable Interest Entities*.

Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment, definite life intangible assets, and right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy of the business, a significant decrease in the market value of the assets or significant negative industry or economic trends.

In accordance with ASC 360-10, when evaluating long-lived assets with impairment indicators for potential impairment, the Company first compares the carrying value of the asset to its estimated undiscounted cash flows. If the sum of the estimated undiscounted cash flows is less than the carrying value of the asset, an impairment loss is calculated. The impairment loss calculation compares the carrying value of the asset to its estimated fair value, which is typically based on estimated discounted future cash flows. The Company recognizes an impairment loss if the amount of the asset’s carrying value exceeds the asset’s estimated fair value.

As of December 31, 2022, the Company determined the lower-than-expected operating results of the Massachusetts operations, primarily driven by the price compression and competitive environment in the Massachusetts cannabis industry, was a triggering event to review for potential impairment of the Massachusetts assets. As a result of this analysis, the Company’s estimate of undiscounted cash flows indicated the applicable assets carrying amounts were expected to be recovered. Nonetheless, it is reasonably possible that the estimate of undiscounted cash flows may change in the near term resulting in the need to write down those assets to fair value. The Company’s estimate of cash flows might change because of the price compression and competitive environment in the Massachusetts cannabis industry.

Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. Examples of such events and circumstances that the company considers include the following:

•Macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets;

•Industry and market considerations such as a deterioration in the environment in which the company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the company's products or services, or a regulatory or political development;

•Cost factors such as increases in inventory, labor, or other costs that have a negative effect on earnings and cash flows;

•Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;

•Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers, contemplation of bankruptcy, or litigation;

•Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more likely than not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit; and

•A sustained decrease in share price (considered in both absolute terms and relative to peers).

In order to determine that the value of goodwill may have been impaired, the Company applies the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2011-08 "Intangibles-Goodwill and Other-Testing Goodwill for Impairment," which provides entities with an option to perform a qualitative assessment (commonly referred to as "Step Zero") to determine whether further quantitative analysis for impairment of goodwill is necessary. The Company performs the Step Zero assessment to determine that it was more-likely-than-not if the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. A number of factors, including historical results, business plans, forecasts, market data, and a reasonable control premium are used to determine the fair value of the reporting unit. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

The Company operates as one operating segment and reporting unit and therefore, evaluates goodwill for impairment as one singular reporting unit annually during the fourth quarter or more often when an event occurs, or circumstances indicate the carrying value may not be recoverable.

For the 2022 impairment test, the Company considered the events and circumstances listed above identifying one event as a risk indicator for goodwill impairment, which is the decline in the Company's share price negatively affecting the Company's market capitalization. To assess this risk the Company further reviewed the fair value of the Company, including control premium, concluding the fair value of the Company exceeded its carrying value. The Company determined the control premium was in line with other comparable transactions. Therefore, the Company concluded the market capitalization as of the annual test was not a triggering event that would require the Company to perform a quantitative assessment of goodwill. Therefore, the Company did not identify any impairment of its goodwill during the years ended December 31, 2022, 2021, or 2020.

Management will continue to monitor the Company's market capitalization and estimated control premium for changes that could impact recoverability of goodwill. The recoverability of goodwill is dependent upon the continued growth of cash flows from our business activities. If the Company's market capitalization continues to decline, for a longer sustained period, there is additional risk that goodwill impairment could occur.

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.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates in our 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; fair value of financial instruments, income taxes; inventory; share-based payment arrangements, and commitments and contingencies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Recently Issued Accounting Pronouncements

Recent accounting pronouncements, other than those below, issued by the FASB 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 December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning January 1, 2021. The Company adopted ASU 2016-13 on January 1, 2021, and adoption did not have a material impact on the Company's consolidated financial statements.

NOTE 4. ACQUISITIONS

(a) Formula 420 Cannabis LLC

On December 22, 2022, the Company acquired 100% of the membership interests of Formula 420 Cannabis LLC ("Formula 420") the holder of an Arizona adult-use license that became operational in October 2022. The Company analyzed the acquisition under ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, determining Formula 420 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. The Company had previously consolidated the entity as a VIE as it was determined the Company exercised control of the entity and was the primary beneficiary although it previously owned no equity interests due to a master service agreement. In accordance with Topic 810, Consolidation, the Company accounted for the change in a consolidated subsidiaries ownership interest as an equity transaction. Therefore, the total consideration was determined to be $5.5 million which consisted of a note payable. See *Note 10. Notes Payable* for further details. Nominal transaction costs were incurred in relation to this acquisition.

(b) 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:

(in thousands)		
Consideration:		
Cash	$	281
Fair value of consideration exchanged	$	281
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		(170)
Total net assets acquired	$	281

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.

(c) Watkins Cultivation Operation

On February 14, 2022, the Company acquired a cultivation operation from CP4 Group, LLC, in Phoenix, Arizona ("Watkins Cultivation Operation" or "Watkins"). 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 amount 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. 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, any amounts earned are compensation for post-combination services.

The Company accrues 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. As of December 31, 2022 the Company has concluded that attainment of any of the four potential earnouts is no longer probable or estimable and reversed all existing accruals.

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 within the consolidated statements of operations and comprehensive (loss) income for the quarter ended March 31, 2022. No additional transaction costs have been incurred.

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

(in thousands)		
Consideration		
Cash	$	27,500
Fair value of consideration exchanged	$	27,500
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	$	27,500

(d) 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 the 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.

(in thousands)		
Consideration:		
Cash	$	15,000
Transaction costs		12
Fair value of consideration exchanged	$	15,012
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 liabilities		(226)
Total net assets acquired	$	15,012

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

(e) 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 variable interest entities 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 provides 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. These costs were expensed as incurred and are included in general and administrative expenses within the consolidated statements of operations and comprehensive (loss) income for the year ended December 31, 2021. No additional transaction costs have been incurred.

The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, *Business Combinations*. Goodwill represents the premium the Company paid over the fair value of the net 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 consists 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.

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.

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

(in thousands)		
Consideration:		
Trulieve Subordinated Voting Shares	$	1,369,024
Fair value of other equity instruments		18,394
Fair value of warrants classified as liabilities		3,103
Fair value of consideration exchanged	$	1,390,521
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		(253,986)
	$	730,580
Non-controlling interest	$	(3,734)
Goodwill		663,675
Total net assets acquired	$	1,390,521

The above table includes the discontinued operations of Nevada.

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 is $6.2 million. There was consideration in the form of 1,011,095 warrants (1,009,416 equity classified Subordinate Voting Shares ("SVS") warrants and 1,679 liability classified Multiple Voting Share ("MVS") 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 is $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 SVS. The pre-combination fair value of these awards is $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.

Supplemental pro forma information (unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the acquisition of Harvest Health and Recreation, Inc, PurePenn, LLC, Pioneer Leasing & Consulting, LLC, and Keystone Relief Centers, LLC as if the acquisitions had occurred on January 1, 2020. 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 transaction been consummated as of that time nor does it purport to be indicative of future financial operating results.

Proforma net revenues for the year ended December 31, 2021, and 2020 are $1,232.2 million, and $833.6 million, respectively. Proforma net loss and comprehensive loss attributable to common shareholders for the years ended December 31, 2021, and 2020 are $8.0 million, and $21.1 million, respectively.

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

(f) Anna Holdings, LLC

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 December 31, 2022. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development.

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

(in thousands)		
Consideration:		
Cash	$	20,251
Shares issued upon acquisition		35,385
Fair value of consideration exchanged	$	55,636
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	500
Prepaid expenses and other current assets		240
Inventories		1,766
Property and equipment		1,144
Right of use asset - finance		1,340
Intangible assets:		
Dispensary license		27,000
Tradename		100
Favorable leasehold interests		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 liabilities		(8,994)
Total net assets acquired	$	55,636

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

(g) 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:

(in thousands)		
Consideration:		
Cash	$	7,000
Shares issued upon acquisition		9,139
Transaction costs		23
Fair value of consideration exchanged	$	16,162
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Prepaid expenses and other current assets	$	12
Property and equipment		1,006
Right of use asset - finance		799
Intangible asset		15,274
Accounts payable and accrued liabilities		(335)
Finance lease liabilities		(594)
Total net assets acquired	$	16,162

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

(h) Patient Centric of Martha's Vineyard Ltd.

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

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

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

(i) 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.

(j) 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

Accounts receivable consisted of the following as of December 31:

	2022	2021
	(in thousands)	
Trade receivables	$ 12,864	$ 9,068
Less: allowance for credit losses	(3,421)	(467)
Accounts receivable, net	$ 9,443	$ 8,601

NOTE 6. NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

	2022	2021
	(in thousands)	
Promissory note acquired from Harvest maturing in November 2025. Secured by certain assets.	$ 8,205	$ 8,827
Promissory notes acquired from Harvest maturing in February 2022. Secured by certain assets.	—	850
Convertible note receivable dated November 2021 maturing in November 2024. Secured by certain assets.	4,602	4,124
Notes receivable	12,807	13,801
Less: discount on notes receivable	(87)	(124)
Total notes receivable, net of discounts	12,720	13,677
Less: current portion of notes receivable	(728)	(1,530)
Notes receivable	$ 11,992	$ 12,147

In October 2021, the Company acquired a note receivable with the Harvest acquisition. The note receivable is 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 two short-term notes receivable with the Harvest acquisition. The notes were originally dated February 2021 maturing 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. This note was repaid in full in February 2022 and the Company received proceeds of $0.9 million.

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 our 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 balance over the term of the note.

During the years ended December 31, 2022 and 2021, the Company recorded interest income of $1.3 million and $0.2 million, respectively, in other income within the consolidated statements of operations and comprehensive (loss) income. The Company had accrued interest receivable of $0.1 million as of December 31, 2022 and 2021 in prepaids and other current assets on the consolidated balance sheets, respectively.

Stated maturities of the notes receivable are as follows as of December 31, 2022:

Year Ending December 31,		Expected principal payments
		(in thousands)
2023	$	728
2024		5,386
2025		6,693
2026		—
2027		—
Thereafter		—
Total		12,807
Less: discount on notes receivable		(87)
Total	$	12,720

NOTE 7. INVENTORIES

Inventories are comprised of the following items as of December 31:

		2022		2021
		(in thousands)		
Raw material				
Cannabis plants	$	22,243	$	30,454
Packaging and supplies		52,046		39,892
Total raw material		74,289		70,346
Work in process		174,533		93,592
Finished goods-unmedicated		7,563		4,824
Finished goods-medicated		41,430		41,181
Total inventories	$	297,815	$	209,943

During the years ended December 31, 2022, 2021, and 2020, the Company recorded adjustments to the valuation of inventory of $15.1 million and $1.3 million and zero, respectively, which is recorded to cost of goods sold within the consolidated statements of operations and comprehensive (loss) income.

NOTE 8. PROPERTY AND EQUIPMENT

As of December 31, 2022, and 2021, property and equipment consisted of the following:

	2022	2021
	(in thousands)	
Land	$ 38,485	$ 32,904
Buildings and improvements	556,932	434,762
Furniture and equipment	277,164	140,221
Vehicles	839	959
Total	873,420	608,846
Less: accumulated depreciation	(134,587)	(63,602)
Total property and equipment	738,833	545,244
Construction in progress	58,114	234,169
Total property and equipment, net	$ 796,947	$ 779,413

During the years ended December 31, 2022, 2021, and 2020, the Company capitalized interest of $4.7 million, $9.2 million, and $4.8 million, respectively.

During the years ended December 31, 2022, 2021, and 2020, the Company incurred depreciation expense of $76.4 million, $34.8 million, and $21.1 million, respectively.

During the year ended December 31, 2022, the Company recorded an impairment of $1.3 million which is mainly the result of repositioning of assets, which is recorded to impairment and disposal of long-lived assets, net within the consolidated statements of operations and comprehensive (loss) income.

During the year ended December 31, 2022, the Company recorded a loss on disposal of property and equipment of $54.5 million, primarily related to assets located in our Southeast region, which is recorded to impairment and disposal of long-lived assets, net within the consolidated statements of operations and comprehensive (loss) income.

During the year ended December 31, 2022, the Company recorded a gain on sale of property and equipment, net of $0.7 million, which is recorded to impairment and disposal of long-lived assets, net within the consolidated statements of operations and comprehensive (loss) income.

During the year ended December 31, 2022, the Company exited Nevada and recorded a loss on disposal of property and equipment of $0.8 million, which is recorded in loss on discontinued operations within the consolidated statements of operations and comprehensive (loss) income. See *Note 18. Discontinued Operations* for further details.

During the year ended December 31, 2021, the Company recorded a loss on the disposal of property and equipment of $1.8 million consisting of $1.6 million related to leasehold improvements and $0.2 million related to equipment, recorded in general and administrative expenses within the consolidated statements of operations and comprehensive (loss) income. The Company had insignificant disposals of property and equipment during the year ended December 31, 2020.

NOTE 9. INTANGIBLE ASSETS & GOODWILL

Intangibles

The Company's definite-lived intangible assets consisted of the following as of December 31:

	2022			2021		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
		(in thousands)			*(in thousands)*	
Licenses	$ 1,076,173	$ 93,567	$ 982,606	$ 1,070,056	$ 24,742	$ 1,045,314
Trademarks	27,430	12,530	14,900	27,430	2,809	24,621
Internal use software	16,586	3,086	13,500	7,374	1,119	6,255
Tradenames	4,862	3,506	1,356	4,862	2,168	2,694
Customer relationships	3,536	3,252	284	3,536	1,180	2,356
Total	$ 1,128,587	$ 115,941	$ 1,012,646	$ 1,113,258	$ 32,018	$ 1,081,240

Amortization expense for the years ended December 31, 2022, 2021, and 2020 was $83.9 million, $28.9 million, and $3.0 million, respectively.

During the year ended December 31, 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 consolidated statements of operations and comprehensive (loss) income. *See Note 18. Discontinued Operations* for further details.

During the year ended December 31, 2021, the Company impaired intangible assets of $3.6 million in relation to the write off of certain licenses of $3.2 million due to market changes and $0.4 million related to the rebranding of a tradename, which is recorded to loss on impairment of long-lived assets within the consolidated statements of operations and comprehensive (loss) income. The Company had no impairments of intangible assets during the year ended December 31, 2020.

The following table outlines the estimated future annual amortization expense related to intangible assets as of December 31, 2022:

Year Ending December 31,	Estimated amortization
	(in thousands)
2023	$ 82,055
2024	80,345
2025	77,631
2026	75,602
2027	73,100
Thereafter	623,913
Total	$ 1,012,646

As of December 31, 2022, the weighted average amortization period remaining on our intangible assets was 13.4 years.

Goodwill

Goodwill arose from the acquisition of Watkins Cultivation Operations, Harvest Health & Recreations Inc., Anna Holdings, LLC, PurePenn LLC, Pioneer Leasing & Consulting LLC, and Solevo Wellness, see *Note 4. Acquisitions* for further information.

Goodwill consisted of the following:

		(in thousands)
As of December 31, 2020	$	67,176
Measurement period adjustments and revisions of purchase price allocation of Solevo Wellness West Virginia, LLC		(2,638)
Measurement period adjustments and revisions of purchase price allocation of PurePenn, LLC		(963)
Acquisition of Anna Holdings, LLC		40,072
Revisions of purchase price allocation of Anna Holdings, LLC		(369)
Acquisition of Harvest Health & Recreation, Inc.		662,080
As of December 31, 2021	$	765,358
Acquisition of Watkins Cultivation Operations		24,542
Measurement period adjustment of Harvest Health and Recreation, Inc.		1,595
As of December 31, 2022	$	791,495

NOTE 10. NOTES PAYABLE

As of December 31, 2022 and 2021, notes payable consisted of the following:

	December 31, 2022	December 31, 2021	Stated Interest Rate	Effective Interest Rate	Maturity Date	Net Book Value of Collateral (7)
	(in thousands)					
Promissory notes dated December 21, 2022 (1)	$ 71,500	$ —	7.53% (4)	7.86%	1/1/2028	$ 159,140
Promissory note dated December 22, 2022 (2)	18,900	—	7.30% (4)	7.38%	12/22/2032	9,557
Promissory notes dated October 1, 2021 (3)	6,095	6,156	8.14% (4)	8.29%	10/1/2027	10,567
Promissory note dated December 22, 2022	5,500	—	10.00% (4)	10.00%	12/22/2023	(5)
Promissory notes acquired in Harvest Acquisition in October 2021	5,338	8,213	(6) (4)	(6)	(6)	(6)
Promissory note of consolidated variable-interest entity dated February 1, 2022	1,200	—	8.00% (4)	8.00%	12/31/2025	—
Promissory notes of consolidated variable-interest entities acquired in Harvest Acquisition in October 2021	—	2,231	(7)	(7)	(7)	(7)
Total notes payable	108,533	16,600				
Less: debt discount	(1,833)	(92)				
Less: current portion of notes payable	(12,453)	(10,052)				
Notes payable (8)	$ 94,247	$ 6,456				

(1) In connection with the closing of these four promissory notes, the Company entered into an interest rate swap to fix the interest rate at 7.53% for the term of the notes. See *Note 23 - Derivative Financial Instruments* for further details. These promissory notes contain customary restrictive covenants pertaining to our management and operations, including, among other things, limitations on the amount of debt that may be incurred and the ability to pledge assets, among other things, as well as financial covenant requirements, that the Company comply with certain indebtedness to consolidated EBITDA (as defined) requirements, fixed charge ratio coverage, and liquidity covenant test. The covenants commence on June 30, 2023 and are measured semi-annually, except for certain covenants which were measured starting as of December 31, 2022.

(2) The promissory note contains customary restrictive covenants pertaining to our operations, including, among other things, limitations on the amount of debt and subsidiary debt that may be incurred and the ability to pledge assets, as well as financial covenant requirements, among other things, that the Company comply with certain indebtedness to consolidated EBITDA (as defined) requirements, covenant to liquidity and debt principal test, and a global debt service coverage ratio. The covenants commence on December 31, 2022 and December 31, 2023 and are measured annually.

(3) On November 15, 2022, the Company closed on the refinancing of our promissory notes dated October 1, 2021 to extend the maturity date by five years and fix the interest rate at 8.14%.

(4) Interest payments are due monthly.

(5) Promissory note is secured by the acquired membership interest in Formula 420 Cannabis LLC. See *Note 4 - Acquisitions.*

(6) Seven promissory notes were acquired with the Harvest Acquisition during the year ending December 31, 2021. Interest rates range from 0.00% to 5.50%, with a weighted average interest rate of 4.17% as of December 31, 2022. Maturity dates range from January 2023 to April 2026. Of the seven acquired promissory notes four of the notes are secured by various assets that approximate the value of the underlying notes of $2.5 million and three of the notes, a total fair value of approximately $2.8 million are unsecured as of December 31, 2022.

(7) Two promissory notes of consolidated variable interest entities were acquired with the Harvest Acquisition. Interest rates ranged from 5.25% to 8.25%. Maturity dates ranged from December 2022 to December 2025. In the first quarter of 2022, these notes were repaid in full.

(8) In addition to the notes payable listed in the above table, the Company entered into a letter of credit in October 2022 for up to $1.5 million, for which there have been no draws as of December 31, 2022. The letter of credit is payable on demand, has an interest rate of 6.25%, and must be drawn on by October 2023 or will expire.

During the years ended December 31, 2022, 2021, and 2020, the Company incurred interest expense of $1.0 million, $1.9 million, and $0.7 million, respectively, which is included within interest expense in the consolidated statements of operations and comprehensive (loss) income. This includes accretion expense of $0.1 million, $0.1 million, and zero, for the years ended December 31, 2022, 2021, and 2020.

The Company's notes payable described above are subordinated to the private placement notes. See *Note 11 - Private Placement Notes* for further details.

As of December 31, 2022, stated maturities of notes payables are as follows:

Year Ending December 31,		*(in thousands)*
2023	$	12,453
2024		3,235
2025		4,016
2026		3,030
2027		69,398
Thereafter		16,401
Total	$	108,533

NOTE 11. PRIVATE PLACEMENT NOTES

June and November 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. The purchasers of the June Notes received warrants to purchase 1,470,000 Subordinate Voting Shares at a price of $13.47 ("June Warrants") and the purchasers of the November Notes received warrants to purchase 1,560,000 Subordinate Voting Shares at a price of $980 per Unit, with each unit consisting of one Note issued in Denominations of $1,000 and 26 warrants ("November Warrants"), which can be exercised for approximately three years after closing (collectively the "Public Warrants").

The fair value of the June Notes was determined to be $63.9 million using an effective interest rate of 13.32%, which the Company estimates would have been the coupon rate required to issue the notes had the financing not included the June Warrants. The fair value of the November Notes was determined to be $54.5 million using an effective interest rate of 13.43%, which the Company estimates would have been the coupon rate required to issue the notes had the financing not included the November Warrants. The assumptions used in the Black-Scholes option pricing model for the June and November Warrants are as follows:

	June Warrants	**November Warrants**
Fair value of warrant at grant date	$4.7million	$4.4million
Stock price at grant date (C$)	$14.48	$14.29
Exercise price at grant date (C$)	$17.25	$17.25
Expected life in years	3.00	2.60
Expected volatility	49.96%	48.57%
Expected annual rate of dividends	0%	0%
Risk free annual interest rate	1.92%	1.92%
Exchange Rate (C$ to $USD)	$1.34	$1.32

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

On December 10, 2020, the Company entered into a Supplemental Warrant Indenture with Odyssey Trust Company pursuant to which it amended the terms of the June Warrants and November Warrants to convert the exercise price of the Public Warrants to $13.47 per share, the U.S. dollar equivalent of the Canadian dollar exercise price of the Public Warrants of C$17.25 at the date of closing. As of December 10, 2020, the June Warrants converted to equity as per ASC 815-40, at a fair value of $25.5 million and the November Warrants converted at a fair value of $27.1 million.

2026 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. The Company used a portion of the net proceeds to repay certain outstanding indebtedness of Harvest and used the remaining net proceeds for capital expenditures and other general corporate purposes. 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 used the net proceeds for capital expenditures and other general corporate purposes. The notes 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. These notes are collectively referred to as the "2026 Notes".

As of December 31, 2022 and 2021, private placement notes payable consisted of the following:

	December 31, 2022	December 31, 2021	Stated Interest Rate	Effective Interest Rate	Maturity Date
	(in thousands)				
2026 Notes - Tranche One	$ 350,000	$ 350,000	8.00%	8.52%	10/6/2026
2026 Notes - Tranche Two	75,000	—	8.00%	8.43%	10/6/2026
June Notes	70,000	70,000	9.75%	13.32%	6/11/2024
November Notes	60,000	60,000	9.75%	13.43%	6/11/2024
Total private placement notes	555,000	480,000			
Less: Unamortized debt discount and issuance costs	(13,336)	(17,071)			
Private placement notes, net	$ 541,664	$ 462,929			

The private placement notes contain customary restrictive covenants pertaining to our management and operations, including, among other things, limitations on the amount of debt that may be incurred and the ability to pledge assets, as well as financial covenant requirements, that the Company comply with certain indebtedness to consolidated EBITDA (as defined) requirements and a fixed charge ratio coverage, measured from time to time when certain conditions are met.

During the years ended December 31, 2022, 2021, and 2020, the Company incurred interest expense of $52.0 million, $22.2 million, and $15.5 million, respectively, which is included within interest expense in the consolidated statements of operations and comprehensive (loss) income related to the private placement notes. This includes accretion expense on the private placement notes of $5.2 million, $3.5 million, and $2.8 million, respectively, for the years ended December 31, 2022, 2021, and 2020.

Scheduled annual maturities of the principal portion of private placement notes outstanding as of December 31, 2022, are as follows:

Year Ending December 31,	*(in thousands)*
2023	$ —
2024	130,000
2025	—
2026	425,000
2027	—
Thereafter	—
Total private placement notes	$ 555,000

NOTE 12. LEASES

The Company leases real estate used for dispensaries, cultivation and production facilities, 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 $17.8 million for the year ended December 31, 2022, which is the result of repositioning away from margin dilutive assets, which is recorded to impairment and disposal of long-lived assets, net within the consolidated statements of operations and comprehensive (loss) income.

During the year ended December 31, 2022 and 2021, the Company terminated approximately $19.0 million and $1.0 million in leases, respectively. Terminations were primarily associated with repositioning away from margin dilutive assets through the closure of certain dispensaries and redundant cultivation facilities. During the year ended December 31, 2022, the Company recorded a net gain on lease terminations of $6.1 million, which is recorded to impairment and disposal of long-lived assets, net within the consolidated statements of operations and comprehensive (loss) income.

During the year ended December 31, 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 within the 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 within the consolidated statements of operations and comprehensive (loss) income for the year ended December 31:

	Statement of operations and comprehensive (loss) income location	**2022**	**2021**	**2020**
			(in thousands)	
Operating lease cost	Cost of goods sold, sales and marketing, general and administrative	$ 20,942	$ 11,083	$ 5,700
Finance lease cost:				
Amortization of lease assets	Cost of goods sold, sales and marketing, general and administrative	11,525	7,866	4,956
Interest on lease liabilities	Interest expense	7,017	4,574	2,133
Finance lease cost		18,542	12,440	7,089
Variable lease cost	Cost of goods sold, sales and marketing, general and administrative	7,980	6,041	222
Short term lease expense	Cost of goods sold, sales and marketing, general and administrative	751	334	—
Total lease cost		$ 48,215	$ 29,898	$ 13,011

During the years ended December 31, 2022, 2021, and 2020, the Company earned a nominal amount of sublease income which is recorded in other income, net within the consolidated statements of operations and comprehensive (loss) income.

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

	2022	2021
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 21,565	$ 3,804
Operating cash flows from finance leases	$ 7,010	$ 4,574
Financing cash flows from finance leases	$ 7,361	$ 4,434
ASC 842 lease additions and modifications		
Operating leases	$ 19,920	$ 88,440
Finance leases	$ 25,969	$ 37,821
Weighted average discount rate:		
Operating leases	9.28%	9.52%
Finance leases	8.65%	8.68%
Weighted average remaining lease term (in years):		
Operating leases	8.33	9.17
Finance leases	7.83	8.16

Future lease payments under non-cancellable leases as of December 31, 2022, are as follows:

Year Ending December 31,	Operating leases	Finance leases
	(in thousands)	
2023	$ 20,291	$ 15,629
2024	20,002	15,239
2025	19,824	14,680
2026	19,229	13,599
2027	18,780	12,677
Thereafter	67,073	48,076
Total undiscounted lease liabilities	165,199	119,900
Less: Interest	(52,363)	(35,335)
Total present value of minimum lease payments	112,836	84,565
Lease liabilities- current portion	10,448	8,727
Lease liabilities	$ 102,388	$ 75,838

Lease Guarantees

In accordance with ASC 460, Guarantees, the Company has determined that it meets the guarantor requirements under certain contractual agreements.

During the year ended December 31, 2022, the Company terminated a cultivation lease resulting in the Company being relieved of its primary obligation under this lease. As a result of the lease termination, a new tenant executed a new lease for the same property with the Company becoming secondarily liable. Nonperformance by the new tenant results in the Company becoming obligated to fulfill the lease conditions. The new lease has a term of approximately 15 years from December 31, 2022 with the Company serving as guarantor for an approximate term of 11 years. If the new tenant defaults on the lease obligations the Company becomes responsible for payment. The resulting maximum exposure includes $12.3 million of undiscounted future minimum lease payments plus potential additional payments to satisfy maintenance, taxes, and insurance requirements under the remaining 11 years the Company is guarantor.

NOTE 13. CONSTRUCTION FINANCE LIABILITIES

When the Company enters into sale-leaseback transactions, it assesses whether a contract exists and whether there is a performance obligation to transfer control of the asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If control is not transferred based on the nature of the transaction, and therefore does not meet the requirements for a sale under the failed-sale-leaseback accounting model, the Company is deemed to own this real estate and reflects these properties on our consolidated balance sheets in property and equipment, net and depreciates them over the assets' useful lives. The liabilities associated with these leases are recorded to construction finance liabilities - current portion and construction finance liabilities on the consolidated balance sheets. During the years ended December 31, 2022, 2021, and 2020, the Company recorded interest expense of $21.6 million, $14.1 million, and $5.0 million, respectively, related to construction finance liabilities, which is included within interest expense in the consolidated statements of operations and comprehensive (loss) income.

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. The transaction was determined to be a failed sale-leaseback financing arrangement.

Included in the agreement, the Company completed the tenant improvements related to the property, for which the landlord 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 increase as draws are made on the TI Allowance. In addition, a 3% increase in payments will be applied annually after the first year. As of December 31, 2022 and 2021, the total construction finance liability associated with this transaction is $45.2 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 December 31, 2022 and 2021, the total construction finance liability associated with this transaction is $17.7 million and $17.4 million, respectively.

McKeesport

In October 2019, prior to acquisition by the Company, PurePenn, LLC ("PurePenn") sold their cannabis cultivation facility in Pennsylvania for $5.0 million. Simultaneously with the closing of the sale, PurePenn agreed to lease the cultivation facility back. The transaction was determined to be 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 TI 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 December 31, 2022 and 2021, $36.5 million and $29.5 million of the TI Allowance has been provided, respectively. As of December 31, 2022 and 2021, the total construction finance liability associated with this transaction is $41.8 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 determined to be a failed sale-leaseback financing arrangement.

The lease originated in January 2021 and has an initial term of 20 years, with two five-year options to renew. The landlord has agreed to provide a TI Allowance of $17.85 million as an additional component of base rent. As of December 31, 2022 and 2021 $17.9 million and $15.3 million of the TI allowance has been provided, respectively. As of December 31, 2022 and 2021, the total construction finance liability associated with this transaction is $59.2 million and $58.9 million, respectively.

During the year ending December 31, 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 $42.4 million in impairment and disposal of long-lived assets, net within the 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 determined to be a failed sale-leaseback financing arrangement.

The lease originated in August 2021 and has an initial term of 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 December 31, 2022 and 2021, $12.3 million and $5.7 million of the TI Allowance has been provided, respectively. As of December 31, 2022 and 2021, the total construction finance liability associated with this transaction is $19.7 million and $20.7 million, respectively.

Future minimum lease payments for the construction finance liabilities as of December 31, 2022, are as follows:

Year Ending December 31,		*(in thousands)*
2023	$	23,406
2024		23,736
2025		24,175
2026		24,593
2027		25,013
Thereafter		403,934
Total future payments		524,857
Less: Interest		(341,307)
Total present value of minimum payments		183,550
Construction finance liabilities - current portion		1,189
Construction finance liabilities	$	182,361

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 “Conversation Ratio” for Multiple Voting Shares is 100 Subordinate Voting shares for each Multiple Voting Share, subject to adjustment in certain event. Holders of Multiple Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, 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 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 therefor, 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. There were no Super Voting Shares outstanding as of December 31, 2022 or 2021.

Warrants

Liability warrants

	Number of warrants	Weighted average exercise price ($CAD)	Weighted average remaining contractual life (Yrs)
Outstanding and exercisable as of December 31, 2021	1,679	$ 1,125	1.31
Granted	—	—	—
Exercised	—	—	—
Outstanding and exercisable as of December 31, 2022	1,679	$ 1,125	0.31

In October 2021 the Company acquired 1,679 warrants in connection with the acquisition of Harvest. 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 (expense) income within the 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 following table summarizes the significant assumptions used in determining the fair value of the warrant liability:

	December 31, 2022	December 31, 2021
Stock price	$10.26	$32.91
Exchange rate	$0.738	$0.789
Remaining life	0.31	1.31
Annualized volatility	104.07%	49.57%
Discount rate	4.42%	0.56%
Exercise price ($C)	$11.25	$11.25

Equity warrants

In connection with the Harvest acquisition, the Company acquired certain equity classified warrants ("equity warrants"). The warrants range in exercise price from $23.76 to $145.24 and expire at various dates from June 2022 through December 2025. The warrants are exercisable into one Subordinate Voting Share. As of December 31, 2022 and 2021, there were 9,496 and 1,009,416 acquired equity warrants outstanding, respectively. Each acquired equity warrant is exercisable into one Subordinate Voting Share.

As of December 31, 2022, 2021, and 2020, there were zero, 2,460,367, and 3,029,900 Public Warrants outstanding, respectively. See *Note 11. Private Placement Notes* for further details on warrants issued in connection with private placement debt in 2019.

April Offering

On April 12, 2021, the Company concluded the underwritten offer and sale of 5,750,000 Subordinate Voting Shares in the United States and Canada at a public offering price of $39.63. After paying the underwriters a commission of approximately $9.1 million, fees of $0.2 million, and issuance costs of $1.2 million, the Company received aggregate consideration of approximately $217.9 million.

NOTE 15. SHARE BASED COMPENSATION

Equity Incentive Plans

The Company's 2021 Omnibus Incentive Plan (the "2021 Plan") was adopted at the annual meeting of shareholders. The 2021 Plan reserves 4,000,000 Subordinate Voting Shares for issuance thereunder and replaced the Schyan Exploration Inc. Stock Option Plan (the "Prior Plan"). Awards previously granted under the Prior Plan, including equity awards granted in the first quarter of 2021 for performance in 2020, remain subject to the terms of the Prior Plan. No further grants of awards shall be made under the Prior Plan. The Prior Plan is administered by the Board of Directors of the Company and the 2021 Plan is administered by the Compensation Committee of the Board of Directors.

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 one-to two-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. See *Note 4. Acquisitions* for further details. The post-combination options generally 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 December 31, 2022 and 2021, the Company used the Black-Scholes pricing model to establish the fair value of the options granted with the following assumptions:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Fair value at grant date	$8.39-$11.01	$1.44-$14.13
Stock price at grant date	$21.48-$25.41	$25.80-$33.42
Exercise price at grant date	$21.48-$25.41	$9.93-$78.76
Expected life in years	3.50 - 4.46	3.2 - 6.2
Expected volatility	51.81% - 52.87%	49.64% - 56.04%
Expected annual rate of dividends	0%	0%
Risk free annual interest rate	1.20% - 1.79%	0.16% - 1.15%

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 as the Company has insufficient historical information regarding its stock options to provide a basis for an estimate. The risk-free rate was based on the United States bond yield rate at the time of grant of the award. The 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 has elected to account for forfeitures as they occur.

The Company recorded share-based compensation for stock options as follows for the year ended December 31:

Statement of operations and comprehensive (loss) income location	2022	2021
	(in thousands)	
Cost of goods sold	$ 172	$ 662
General and administrative	8,157	5,722
Sales and marketing	243	1,089
Total share-based compensation expense	$ 8,572	$ 7,473

The number and weighted-average exercise prices and remaining contractual life of options as of December 31, 2022 and December 31, 2021, were as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (Yrs.)	Aggregate intrinsic value
Outstanding, January 1, 2022	2,973,895	$ 27.61	6.26	
Granted	864,051	21.56		
Exercised	(161,811)	11.27		
Forfeited	(498,320)	32.95		
Outstanding, December 31, 2022	3,177,815	$ 25.96	5.41	$ —
Exercisable, December 31, 2022	2,326,531	$ 26.05	4.27	$ —

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (Yrs.)	Aggregate intrinsic value
Outstanding, January 1, 2021	1,129,779	$ 11.72		
Granted	2,168,528	36.86		
Exercised	(118,692)	12.46		
Forfeited	(205,720)	46.64		
Outstanding, December 31, 2021	2,973,895	$ 27.61	6.26	$ —
Exercisable, December 31, 2021	1,503,051	$ 17.27	3.77	$ 8.94

As of December 31, 2022, there was approximately $4.4 million of unrecognized compensation cost related to unvested stock option arrangements which is expected to be recognized over a weighted average service 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 vested immediately. The previously held 3,572,514 warrants were cancelled on September 15, 2021 with the 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 within 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:

	Number of restricted stock units	Weighted average grant price
Unvested balance as of January 1, 2021	—	$ —
Granted	3,255,424	25.45
Vested	(2,920,336)	25.29
Forfeited	(2,660)	26.88
Unvested balance as of December 31, 2021	332,428	26.86
Granted	821,800	21.51
Vested	(163,605)	22.85
Forfeited	(269,916)	23.24
Unvested balance as of December 31, 2022	720,707	$ 22.36

The Company recorded share-based compensation for RSUs as follows for the year ended December 31:

Statement of operations and comprehensive (loss) income location	2022	2021
	(in thousands)	
Cost of goods sold	$ 900	$ 306
General and administrative	8,190	1,239
Sales and marketing	462	236
Total Share based compensation expense	$ 9,552	$ 1,781

As of December 31, 2022, there was approximately $9.4 million of total unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average service period of 0.83 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 were exchangeable into Subordinate Voting Shares. For the years ended December 31, 2022, 2021, and 2020 no warrants related to employee compensation were issued.

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

	Number of warrants	Weighted average exercise price ($CAD)	Weighted average remaining contractual life (Yrs)
Outstanding, January 1, 2020	6,061,561	6.00	0.72
Granted	—		
Exercised	(2,075,990)		
Exchanged in cashless exercise	(413,057)		
Cancelled	(3,572,514)		
Outstanding, December 31, 2021	—	—	—

NOTE 16. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share:

	Year Ended December 31,		
	2022	2021	2020
Numerator	*(in thousands, except share and per share data)*		
Net (loss) income from continuing operations	$ (205,165)	$ 19,384	$ 62,998
Less: Net loss and comprehensive loss attributable to non-controlling interest	(6,663)	(587)	—
Net (loss) income from continuing operations available to common shareholders of Trulieve Cannabis Corp.	$ (198,502)	$ 19,971	$ 62,998
Net loss from discontinued operations	(47,562)	(1,939)	—
Net (loss) income and comprehensive (loss) income attributable to common shareholders of Trulieve Cannabis Corp.	$ (246,064)	$ 18,032	$ 62,998
Denominator			
Weighted average number of common shares outstanding	187,995,317	139,366,940	113,572,379
Dilutive effect of securities outstanding	—	7,390,346	4,753,345
Diluted weighted average number of common shares outstanding	187,995,317	146,757,286	118,325,724
Loss per Share - Continuing operations			
Basic loss per share	$ (1.06)	$ 0.14	$ 0.55
Diluted loss per share	$ (1.06)	$ 0.14	$ 0.53
Loss per Share - Discontinued operations			
Basic and diluted loss per share	$ (0.25)	$ (0.01)	$ —

Shares which have been excluded from diluted per share amounts because their effect would have been anti-dilutive are as follows:

	Year Ended December 31,		
	2022	2021	2020
Stock options	3,177,815	1,694,424	—
Restricted share units	720,707	—	—
Warrants	177,391	409,811	544,998

As of December 31, 2022, there were approximately 186.0 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 Company is treated as a United States corporation for U.S. federal income tax purposes under IRC Section 7874 and is subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company, regardless of any application of IRC Section 7874, is treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Corporation is subject to taxation both in Canada and the United States.

The components of the income tax provision include the following for the year ended December 31:

	2022	2021	2020
		(in thousands)	
Current:			
Federal	$ 141,968	$ 142,010	$ 82,238
State	38,018	29,873	17,100
Foreign	—	—	—
Total current tax expense	$ 179,986	$ 171,883	$ 99,338
Deferred:			
Federal	$ (19,152)	$ (21,033)	$ (3,694)
State	800	(4,343)	(1,193)
Foreign	(48,508)	—	—
Total deferred tax expense	$ (66,860)	$ (25,376)	$ (4,887)
Change in valuation allowance	48,694	196	—
Total income tax expense	$ 161,820	$ 146,703	$ 94,451

A reconciliation of the Federal statutory income tax rate percentage to the effective tax rate is as follows for the year ended December 31:

	2022	2021	2020
		(in thousands)	
(Loss) income before income taxes	$ (43,345)	$ 166,087	$ 157,449
Federal statutory rate	21.0%	21.0%	21.0%
Theoretical tax (benefit) expense	$ (9,102)	$ 34,878	$ 33,064
Effects of tax rates in foreign jurisdictions	$ (57,272)	$ —	$ —
State taxes	38,819	25,530	12,407
Uncertain tax position, inclusive of interest and penalties	(5,049)	571	—
Change in valuation allowance	48,694	—	—
Other	(4,781)	(156)	(1,666)
Tax effect of non-deductible expenses:			
IRC Section 280E disallowance	137,413	85,615	50,646
Stock compensation	4,497	95	—
Political contributions	4,318	170	—
Non-recurring Expenses	4,283	—	—
Total non-deductible expenses	$ 150,511	$ 85,880	$ 50,646
Total income tax expense	$ 161,820	$ 146,703	$ 94,451

Deferred income taxes consist of the following as of December 31:

	2022	2021	2020
		(in thousands)	
Deferred tax assets:			
Lease liabilities	$ 3,094	$ 7,015	$ 1,219
Finance liabilities	27,386	15,715	—
Net operating losses	46,702	7,845	—
Contingent liabilities	7,487	—	—
Debt Discount	1,848	—	—
Other deferred tax assets	3,921	1,562	7,025
Total deferred tax assets:	$ 90,438	$ 32,137	$ 8,244
Deferred tax liabilities:			
Right of use assets	$ (3,112)	$ (6,582)	$ (1,210)
Intangible assets	(237,309)	(252,205)	(18,999)
Property and equipment	(19,004)	(8,406)	(3,482)
Other deferred tax liabilities	(1,507)	—	—
Total deferred tax liabilities:	$ (260,932)	$ (267,193)	$ (23,691)
Valuation allowance	(53,643)	(6,826)	—
Net deferred tax liability	$ (224,137)	$ (241,882)	$ (15,447)

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the net operating loss carryforwards that may expire prior to their utilization has been recorded as of December 31, 2022.

As of December 31, 2022, the Company has $151.9 million of non-capital Canadian losses which expire in 2031 and 2042, $210.9 million of state net operating losses which expire in 2031-2041, and $105.1 million of U.S. federal net operating losses which have an indefinite carryforward period. The Company determined a valuation allowance was applicable to $151.9 million of non-Capital Canadian losses and $104.3 million of state net operating losses. The Company also determined that it is more likely than not that the benefit from $97.1 million of U.S. federal net operating losses and $106.6 million of state net operating losses will not be realized and therefore this amount has not been recorded.

As the Company operates in the cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for U.S. federal income tax purposes as well as state income tax purposes for all states in which the Company operates except for Arizona, California, Colorado, and Massachusetts. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to costs of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

The Company recognizes benefits from uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. An uncertain tax position is not recognized if it has less than a 50% likelihood of being sustained. As of December 31, 2022, and December 31, 2021, the Company recorded an uncertain tax liability of $19.5 million and $6.7 million, respectively, inclusive of interest and penalties. Additionally, there are unrecognized deferred tax benefits of $41.8 million as of December 31, 2022, and $44.9 million as of December 31, 2021. The Company does not reasonably expect the unrecognized tax benefits will materially increase or decrease within the next 12 months.

During 2022, the Company recorded interest of ($0.3) million and penalties of $2.4 million on uncertain tax liabilities within the consolidated statements of operations and comprehensive (loss) income. With few exceptions, as of December 31, 2022, the Company is no longer subject to examination by tax authorities for years before 2019.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2022	2021
	(in thousands)	
Beginning balance	$ 44,850	$ 3,770
Reductions based on lapse of statute of limitations	(4,228)	—
Additions based on tax positions related to the prior year	1,159	—
Additions for tax positions of prior years recorded to goodwill	—	41,080
Ending balance	$ 41,781	$ 44,850

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 December 31, 2022. Immaterial wind-down activities are expected to continue in the near term.

The assets and liabilities associated with discontinued operations consisted of the following as of December 31, 2022 and 2021:

	2022	2021
	(in thousands)	
Assets associated with discontinued operations		
Income tax receivable	$ 1,708	$ 474
Other assets	690	672
Cash	621	561
Prepaids and other current assets	137	44
Inventories, net	—	2,245
Accounts receivable, net	—	291
Property and equipment, net	—	503
Intangible assets, net	—	36,742
Right of use assets - operating, net	—	14,250
Total assets associated with discontinued operations	$ 3,156	$ 55,782
Liabilities associated with discontinued operations		
Operating lease liabilities	$ 14,560	$ 14,380
Accounts payable and accrued liabilities	493	272
Deferred tax liabilities	—	9,429
Total liabilities associated with discontinued operations	$ 15,053	$ 24,081

The following table summarizes the Company's loss from discontinued operations for the years ended December 31, 2022 and 2021. The gain and loss resulting from the forgiveness of intercompany payables has been eliminated in consolidation.

	2022	2021
	(in thousands)	
Revenue, net of discounts	$ 3,051	$ 404
Cost of goods sold	9,179	2,086
Gross margin	(6,128)	(1,682)
Expenses:		
Operating expenses	3,084	929
Impairment and disposal of long-lived assets, net	49,130	—
Total Expenses	52,214	929
Loss from operations	(58,342)	(2,611)
Other income:		
Other income, net	117	30
Total other income	117	30
Loss before provision for income taxes	(58,225)	(2,581)
Income tax benefit	10,663	642
Net loss from discontinued operations	$ (47,562)	$ (1,939)

The consolidated statements of cash flows include continuing operations and discontinued operations. 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 years ended December 31, 2022 and 2021.

	2022	2021
	(in thousands)	
Depreciation	$ 28	$ 9
Amortization	$ 2,377	$ 858
Loss on impairment and disposal of long-lived assets	$ 49,130	$ —
Purchases of property and equipment	$ 259	$ —

NOTE 19. VARIABLE INTEREST ENTITIES

The Company has entered into operating agreements with various entities related to the purchase and operation of cannabis dispensary, cultivation, and production licenses, in several states in which it determined to be variable interest entities. The Company holds ownership interests in these entities ranging from none to 95% either directly or through a proxy as of December 31, 2022. The Company's VIEs are not material to the consolidated financial position or operations as of or for the year ended December 31, 2022 or 2021.

The Company determined certain of these entities to be variable interest entities in which 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 variable interest entities for which the Company is the primary beneficiary in the accompanying consolidated financial statements.

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

	Year Ended December 31, 2022	2021
	(in thousands)	
Current assets:		
Cash	$ 3,974	$ 1,241
Accounts receivable, net	597	905
Inventories, net	6,922	2,451
Prepaids and other current assets	314	313
Total current assets	11,807	4,910
Property and equipment, net	9,916	8,335
Right of use asset - operating, net	1,760	—
Right of use asset - finance, net	2,371	—
Intangible assets, net	16,123	17,735
Other assets	79	544
Total assets	$ 42,056	$ 31,524
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,998	$ 828
Income tax payable	2,216	522
Notes payable - current portion	—	1,170
Operating lease liability - current portion	105	—
Finance lease liability - current portion	129	—
Total current liabilities	5,448	2,520
Notes payable	1,200	1,061
Operating lease liability	1,705	—
Finance lease liability	2,226	—
Deferred tax liabilities	4,228	4,479
Other long-term liabilities	625	—
Total liabilities	$ 15,432	$ 8,060

During the year ended December 31, 2022, the Company divested of its minority ownership interest in two of its VIEs and received cash of $2.0 million and recorded an insignificant loss on the divestments which are recorded in impairment and disposal of long-lived assets, net, in the consolidated statement of operations and comprehensive (loss) income for the year ended December 31, 2022. As of December 31, 2022, the Company is no longer the primary beneficiary of these VIEs and the VIEs are no longer consolidated in the Company's consolidated financial statements.

NOTE 20. RELATED PARTIES

The Company previously raised funds by issuing notes to various related parties including directors, officers, and shareholders. The remaining related party notes were paid off in full in November 2021. The balance of related party notes was zero as of December 31, 2022 and December 31, 2021, respectively. During the years ended December 31, 2022, 2021, and 2020, the Company incurred interest expense on related party debt of zero, $1.1 million, and $1.6 million, respectively.

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 for various cultivation and processing facilities for the Company, and provides labor, materials and equipment on a cost-plus basis. For the years ended December 31, 2021 and 2020, property and equipment purchases totaled $148.4 million and $96.7 million, respectively. As of December 31, 2021, $11.4 million was included in accounts payable on the 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 were 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 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 December 31, 2022 and 2021, under ASC 842, the Company had the following related party leases on the consolidated balance sheets:

	As of December 31, 2022	As of December 31, 2021	
	Operating	Operating	Finance
	(in thousands)		
Right-of-use assets, net	$ 820	$ 2,082	$ 2,009
Lease liabilities:			
Lease liabilities - current portion	$ 113	$ 418	$ 215
Lease liabilities	751	1,862	2,127
Total related party lease liabilities	$ 864	$ 2,280	$ 2,342

Lease expense recognized on related party leases was $0.2 million, $2.7 million, and $3.5 million for the years ended December 31, 2022, 2021, and 2020, respectively.

NOTE 21. REVENUE DISAGGREGATION

Net revenues are comprised of the following for the year ending December 31:

	2022	2021	2020
		(in thousands)	
Retail	$ 1,161,684	$ 870,507	$ 520,217
Wholesale, licensing and other	78,128	67,474	1,316
Revenue, net	$ 1,239,812	$ 937,981	$ 521,533

NOTE 22. COMMITMENTS AND CONTINGENCIES

Operating Licenses

Although the possession, cultivation and distribution of cannabis for medical use is permitted in the states in which the Company operates, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with our business plans. In addition, the Company's assets, including real property, inventory, 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. Except as disclosed below, as of December 31, 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 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.

In connection with the Watkins acquisition, the Company received a demand letter on October 12, 2022 related to the four potential earnouts. The earnouts are based on the completion of certain milestones related to construction and operations and contingent on the continued employment of key employee shareholders. The Company elected to cease construction activity on October 10, 2022, an action we were allowed to take under the terms of the acquisition agreement. The Company is attempting to mediate this case but, should it result in a trial, the Company will vigorously defend our position.

During the year ending December 31, 2021, the Company settled certain litigation matters assumed in acquisitions during the year for $14.8 million.

Contingencies

The Company records contingent liabilities with respect to litigation on various claims in which it believes a loss is probable and can be approximated. As of December 31, 2022, and 2021, $31.7 million and $8.8 million was included in contingent liabilities on the consolidated balance sheets related to pending litigation. The Company also recorded accruals related to sales tax audits or inquiries which were acquired through the Harvest acquisition. As of December 31, 2022 and 2021, $3.0 million and $2.3 million, respectively, was included in contingent liabilities on the consolidated balance sheets for estimates related to various sales tax matters. The Company also has amounts related to vendor disputes and various other matters which are probable and estimable but not known included in contingent liabilities on the 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.

NOTE 23. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes interest rate swaps for the sole purpose of mitigating interest rate fluctuation risk associated with floating rate debt instruments. The Company does not use any other derivative financial instruments for trading or speculative purposes.

In the fourth quarter of 2022 the Company entered into the VNB Swap for a notional amount of $71.5 million. The VNB Swap was entered into in conjunction with four promissory term notes of a total corresponding amount. The four promissory term notes were priced at the Secured Overnight Financing Rate ("SOFR", as defined in the agreement) plus 3.00%, per annum. The VNB Swap fixed the four term loans at 7.53% per annum until maturity on January 1, 2028. The VNB Swap effectively fixes the floating SOFR-based interest of the SOFR-based debt. In accordance with ASC 815, the Company applies fair value accounting for the VNB Swap with changes in fair value recognized in income or loss within interest expense within the consolidated statements of operations and comprehensive (loss) income. A corresponding asset or liability is recognized on the consolidated balance sheets based on the fair value position as of each reporting date. The fair value of the interest rate swap liability as of December 31, 2022 was $2.5 million and was recorded in other long-term liabilities on the consolidated balance sheets. See *Note 3 - Summary of Significant Accounting Policies* for details regarding fair value measurements for the interest rate swap.

NOTE 24. SUBSEQUENT EVENTS

The Company's management evaluates subsequent events through the date of issuance of the consolidated financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the consolidated financial statements.