Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained in this Annual Report on Form 10-K.

Overview

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

All of the states in which we operate have developed programs to permit the use of cannabis products for medicinal purposes to treat specific conditions and diseases, which we refer to as medical cannabis. Recreational marijuana, or adult-use cannabis, is legal marijuana sold in licensed dispensaries to adults ages 21 and older. Thus far, of the states in which we operate, Arizona, California, Colorado, Connecticut, Maryland, and Massachusetts, have adopted legislation permitting the commercialization of adult-use cannabis products. Trulieve operates its business through its directly and indirectly owned subsidiaries that hold licenses and have entered managed service agreements in the states in which they operate.

As of December 31, 2022, we operated 181 dispensaries, with 123 dispensaries in Florida, 20 dispensaries in Arizona, 19 affiliated dispensaries in Pennsylvania, three dispensaries in California, three dispensaries in Maryland, three dispensaries in Massachusetts, nine dispensaries in West Virginia and one dispensary in Connecticut, and we operated cultivation and processing facilities in Arizona, Colorado, Florida, Georgia, Maryland, Massachusetts, Pennsylvania, and West Virginia.

Components of Results of Continuing Operations

Revenue

We derive our revenue from cannabis products which we manufacture, sell and distribute to our customers by home delivery and in our dispensaries.

Gross Profit

Gross profit includes revenue less the costs directly attributable to product sales and includes amounts paid to produce finished goods, such as flower, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in margins over comparative periods as the regulatory environment changes.

Sales and Marketing

Sales and marketing expenses consist of marketing expenses related to marketing programs for our products. Personnel related costs related to dispensaries are the primary costs of sales and marketing. As we continue to expand and open additional dispensaries, we expect our sales and marketing expenses to continue to increase.

General and Administrative

General and administrative expenses represent costs incurred at our corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, and other professional service costs, including legal and accounting. We expect to continue to invest considerably in this area to support our expansion plans and to support the increasing complexity of the cannabis business.

Depreciation and Amortization

Depreciation expense is calculated on a straight-line basis using the estimated useful life of each asset. Estimated useful life is determined by asset class and is reviewed on an annual basis and revised if necessary. Amortization expense is amortized using the straight-line method over the estimated useful life of the intangible assets. Useful lives for intangible assets are determined by type of asset with the initial determination of useful life determined during the valuation of the business combination. On an annual basis, the useful lives of each intangible class of assets are evaluated for appropriateness and adjusted if appropriate.

Other Income (Expense), Net

Other income (expense), net consist primarily of interest expense, interest income, and the impact of the revaluation of the liability classified warrants and our interest rate swap.

Provision for Income Taxes

Provision for income taxes is calculated using the asset and liability method. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As we operate in the cannabis industry, we are subject to the limits of IRC Section 280E under which we are only allowed to deduct expenses directly related to costs of goods sold.

Financial Review

Highlights for the 2022 year include:

- **Revenue, net:** We generated revenues of $1.24 billion from the sale of cannabis and cannabis related products, driven by our continued expansion in both our new and legacy markets.
- **Gross profit:** We generated gross profit of $682.0 million.
- **Inventory:** We ended the year with $297.8 million in inventories.
- **Net Cash from Operations**: We generated cash from operations of $23.1 million.

Results of Continuing Operations

This section of this Form 10-K generally discusses 2022 and 2021 items and year-to-year comparisons between 2022 and 2021 and 2021 and 2020 for continuing operations, except as noted. Refer to *Note 18. Discontinued Operations* to the consolidated financial statements included in this Annual Report on Form 10-K for additional financial information related to our discontinued operations.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

	Year Ended December 31,				
	2022		2021		2022 vs. 2021
	(in thousands)				
Statement of operations data:	**Amount**	**Percentage of revenue**	**Amount**	**Percentage of revenue**	**Amount Change**
Revenue, net	$1,239,812	100.0%	$937,981	100.0%	301,831
Cost of goods sold	557,820	45.0%	370,169	39.5%	187,651
Gross profit	681,992	55.0%	567,812	60.5%	114,180
Expenses:					
Sales and marketing	284,936	23.0%	215,146	22.9%	69,790
General and administrative	169,731	13.7%	100,509	10.7%	69,222
Depreciation and amortization	119,371	9.6%	47,229	5.0%	72,142
Impairment and disposal of long-lived assets, net	75,547	6.1%	5,371	0.6%	70,176
Total expenses	649,585	52.4%	368,255	39.3%	281,330
Income from operations	32,407	2.6%	199,557	21.3%	(167,150)
Other income (expense):					
Interest expense	(79,771)	(6.4%)	(34,787)	(3.7%)	(44,984)
Change in fair value of derivative liabilities - warrants	2,643	0.2%	208	0.0%	2,435
Other income, net	1,376	0.1%	1,109	0.1%	267
Total other expense, net	(75,752)	(6.1%)	(33,470)	(3.6%)	(42,282)
(Loss) income before provision for income taxes	(43,345)	(3.5%)	166,087	17.7%	(209,432)
Provision for income taxes	161,820	13.1%	146,703	15.6%	15,117
Net (loss) income from continuing operations and comprehensive (loss) income	(205,165)	(16.5%)	19,384	2.1%	(224,549)
Net loss from discontinued operations, net of tax benefit of $10,663 and $642, respectively	(47,562)	(3.8%)	(1,939)	(0.2%)	(45,623)
Net (loss) income	(252,727)	(20.4%)	17,445	1.9%	(270,172)
Less: Net loss and comprehensive loss attributable to non-controlling interest from continuing operations	(6,663)	(0.5%)	(587)	(0.1%)	(6,076)
Net (loss) income and comprehensive (loss) income attributable to common shareholders	$ (246,064)	(19.8%)	$ 18,032	1.9%	$(264,096)

Revenue, Net

Revenue for the year ended December 31, 2022, was $1,239.8 million, an increase of $301.8 million or 32%, from $938.0 million for the year ended December 31, 2021. The increase in revenue is due to contributions from acquisitions, most notably, Harvest Health & Recreation, Inc. ("Harvest") in October 2021 and Anna Holdings, LLC ("Keystone Shops") in July 2021, continued expansion into new states such as Massachusetts and West Virginia, and additional dispensaries opened in existing markets.

Cost of Goods Sold

Cost of goods sold for the year ended December 31, 2022, was $557.8 million, an increase of $187.7 million or 51%, from $370.2 million for the year ended December 31, 2021, primarily in correlation with the increase in revenues. Cost of goods sold as a percentage of revenue was 45% for the year ended December 31, 2022 as compared to 39% for the year ended December 31, 2021, primarily due to increased depreciation related to capital expenditures to support business growth, new production facilities in existing markets where economies of scale are anticipated in the future, and expansion into new markets which are not fully vertical, resulting in the sale of third-party products, and therefore yield lower margin than our vertical markets.

Gross Profit

Gross profit for the year ended December 31, 2022, was $682.0 million, an increase of $114.2 million or 20% from $567.8 million for the year ended December 31, 2021. Gross profit as a percentage of revenue was 55% for the year ended December 31, 2022 as compared to 61% for the year ended December 31, 2021, due to higher revenue offset by many factors including, increased wholesale business, which is generally lower margin than retail sales, increased depreciation related to capital expenditures to support business growth, new production facilities where economies of scale are anticipated in the future, and expansion into new markets which are not fully vertical, resulting in the sale of third-party products, and therefore yield lower margin than our vertical markets.

Sales and Marketing Expense

Sales and marketing expense for the year ended December 31, 2022, was $284.9 million, an increase of $69.8 million, or 32% from $215.1 million for the year ended December 31, 2021, but remained consistent as a percentage of revenue. The increase in sales and marketing is the result of a higher headcount for the year, as we continue to add additional dispensaries in efforts to maintain and further drive higher growth in sales and market share as well as expanding into new markets.

General and Administrative Expense

General and administrative expense for the year ended December 31, 2022, was $169.7 million an increase of $69.2 million or 69% from $100.5 million for the year ended December 31, 2021. General and administrative expense as a percentage of revenue increased from 11% to 14%. The increase in general and administrative expense is the result of entering new markets, ramping our infrastructure to support growth initiatives, repositioning of facilities which have been temporarily idled, and amounts related to specific non-recurring items such as legal settlements. We also contributed $20.0 million to the Smart and Safe Florida campaign during 2022.

Depreciation and Amortization Expense

Depreciation and amortization expense for the year ended December 31, 2022, was $119.4 million, an increase of $72.1 million, or 153%, from $47.2 million for the year ended December 31, 2021. The overall increase in depreciation and amortization expense is due to increased depreciation from acquired facilities, and increased amortization related to acquired licenses and other intangibles, from the investment in infrastructure for additional dispensaries and cultivation facilities.

Impairment and Disposal of Long-lived Assets, Net

Loss on impairment and disposal of long-lived assets for the year ended December 31, 2022, was $75.5 million an increase of $70.2 million as compared to $5.4 million for the year ended December 31, 2021. The increase in the current period is primarily due to exited facilities and the repositioning of assets, primarily in our Southeast hub. The prior year primarily consisted of the write-off of certain licenses in our Southwest hub due to market changes and the disposal of certain long-lived assets.

Other Expense, Net

Total other expense, net for the year ended December 31, 2022 was $75.8 million, an increase of $42.3 million or 126%, from $33.5 million for the year ended December 31, 2021. The increase is primarily the result of an increase in interest expense related to additional private placement notes, notes payable, and finance leases to support business growth and loss on disposal of non-operational assets in the Northeast and Southeast as the Company continues to streamline its operations.

Provision for Income Taxes

The provision for income taxes for the year ended December 31, 2022 was $161.8 million an increase of $15.1 million from $146.7 million for the year ended December 31, 2021. Provision for income taxes as a percentage of revenue decreased from 16% to 13%. Under IRC Section 280E, cannabis companies are only allowed to deduct expenses that are directly related to production of the products. During the third quarter of the 2022, the Company adopted a more favorable tax position with respect to intercompany management fees based on an IRS position taken in audit of a similar businesses. The increase in income tax expense is primarily due to the increase in gross profit as a result of increased revenue, partially offset by the more favorable tax position on intercompany management fees.

Net (Loss) Income from Continuing Operations and Comprehensive (Loss) Income

Net loss from continuing operations for the year ended December 31, 2022 was $205.2 million, a decrease of $224.5 million from net income from continuing operations of $19.4 million for the year ended December 31, 2021. A significant factor in the decrease in net income is the Company's repositioning and continued work to streamline our cultivation and production facilities and the markets in which we operate. This resulted in a loss on disposal of long-lived assets and non-operating assets of $75.5 million. The Company expects to continue to incur such costs in the near-term as we continue to focus on streamlining our business and the markets in which we operate or may enter into. The increase to sales and marketing expenses, general and administrative expenses, depreciation and amortization, and interest expense, as described above, were also factors in the decreased net income.

Net Loss from Discontinued Operations, Net of Tax Benefit

Net loss from discontinued operations, net of tax benefit, for the year ended December 31, 2022 was $47.6 million an increase of $45.6 million from net loss from discontinued operations of $1.9 million for the year ended December 31, 2021. The increase is primarily the result of our continued efforts to reposition assets and streamline operations which resulted in a one-time impairment of long-lived assets related to discontinued operations of $49.1 million, primarily consisting of a license and facility lease and related assets.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

	Year Ended December 31,				
	2021		**2020**		**2021 vs. 2020**
	(in thousands)				
Statement of operations data:	**Amount**	**Percentage of revenue**	**Amount**	**Percentage of revenue**	**Amount Change**
Revenue, net	$ 937,981	100.0%	$521,533	100.0%	416,448
Cost of goods sold	370,169	39.5%	135,116	25.9%	235,053
Gross profit	567,812	60.5%	386,417	74.1%	181,395
Expenses:					
Sales and marketing	215,146	22.9%	119,395	22.9%	95,751
General and administrative	100,509	10.7%	36,056	6.9%	64,453
Depreciation and amortization	47,229	5.0%	12,600	2.4%	34,629
Impairment and disposal of long-lived assets, net	5,371	0.6%	63	0.0%	5,308
Total expenses	368,255	39.3%	168,114	32.2%	200,141
Income from operations	199,557	21.3%	218,303	41.9%	(18,746)
Other income (expense):					
Interest expense	(34,787)	-3.7%	(20,237)	(3.9%)	(14,550)
Change in fair value of derivative liabilities - warrants	208	0.0%	(42,679)	(8.2%)	42,887
Other income, net	1,109	0.1%	2,062	0.4%	(953)
Total other expense, net	(33,470)	-3.6%	(60,854)	(11.7%)	27,384
Income before provision for income taxes	166,087	17.7%	157,449	30.2%	8,638
Provision for income taxes	146,703	15.6%	94,451	18.1%	52,252
Net income from continuing operations and comprehensive income	19,384	2.1%	62,998	12.1%	(43,614)
Net loss from discontinued operations, net of tax benefit of $642 and $0, respectively	(1,939)	-0.2%	—	0.0%	(1,939)
Net income	17,445	1.9%	62,998	12.1%	(45,553)
Less: Net loss and comprehensive loss attributable to non-controlling interest from continuing operations	(587)	-0.1%	—	0.0%	(587)
Net income and comprehensive income attributable to common shareholders	$ 18,032	1.9%	$ 62,998	12.1%	$ (44,966)

Revenue, Net

Revenue for the year ended December 31, 2021, was $938.0 million, an increase of $416.5 million or 80% from $521.5 million for the year ended December 31, 2020. The increase in revenue is primarily the result of increased locations, increased or new wholesale operations in specific markets, organic growth in retail sales due to an increase in products available for purchase, and acquisitions, most notably the acquisition of Harvest Health & Recreation, Inc. ("Harvest") in October 2021.

Cost of Goods Sold

Cost of goods sold for the year ended December 31, 2021, was $370.2 million, an increase of $235.1 million or 174% from $135.1 million for the year ended December 31, 2020, primarily in correlation with the increase in revenue. Cost of goods sold as a percentage of revenue increased from 26% for the year ended December 31, 2020 to 40% for the year ended December 31, 2021 due to our inventory step-up related to acquisitions, increased wholesale business which is generally lower margin than retail sales, increased depreciation related to capital expenditures in cultivation and processing to support business growth and expansion into new markets which are not fully vertical, resulting in the sale of third party products, and therefore yield lower margin than the Florida vertical market.

Gross Profit

Gross profit for the year ended December 31, 2021, was $567.8 million, an increase of $181.4 million or 47% from $386.4 million for the year ended December 31, 2020, as a result of an increase in retail sales due to an increase in the number of dispensaries and customer count. Gross profit as a percentage of revenue decreased from 74% for the year ended December 31, 2020 to 61%, for the year ended December 31, 2021. This decrease is caused by inventory step-up related to acquisitions, increased wholesale business, which is generally lower margin than retail sales, increased depreciation related to capital expenditures in cultivation and processing to support business growth, expansion into new markets which are not fully vertical and therefore yield lower margin than the Florida vertical market and macro-economic factors centered around prices and labor.

Sales and Marketing Expense

Sales and marketing expense for the year ended December 31, 2021, was $215.1 million an increase of $95.7 million, or 80% from $119.4 million for the year ended December 31, 2020. The increase in sales and marketing is the result of a higher headcount for the year, as we continue to add additional dispensaries in efforts to maintain and further drive higher growth in sales and market share. This increased headcount resulted in higher personnel costs, which is the primary driver for the increase year over year.

General and Administrative Expense

General and administrative expense for the year ended December 31, 2021, was $100.5 million an increase $64.5 million or 179% from $36.1 million for the year ended December 31, 2020. The increase in general and administrative expense is primarily the result of significant expenses incurred to acquire and integrate new subsidiaries, most notably Harvest and entering new markets and ramping up our infrastructure.

Depreciation and Amortization Expense

Depreciation and amortization expense for the year ended December 31, 2021, was $47.2 million, an increase of $34.6 million, or 275% from $12.6 million for the year ended December 31, 2020. The overall increase in depreciation and amortization expenses was due to amortization of intangibles acquired and fair valued in acquisitions, and investment in infrastructure that resulted in more capitalized assets from additional dispensaries. Furthermore, depreciation expense increased due to additional finance leases added.

Impairment and Disposal of Long-lived Assets

Loss on impairment and disposal of long-lived assets for the year ended December 31, 2021, was $5.4 million an increase of $5.3 million from $0.1 million for the year ended December 31, 2020. The increase is primarily due to the write off of certain licenses in the Southwest due to market changes and the disposal of certain long-lived assets.

Other Expense, Net

Total other expense, net for the year ended December 31, 2021, was $33.5 million, a decrease of $27.4 million, or 45%, from $60.9 million for the year ended December 31, 2020. The overall decrease is primarily driven by $42.7 million of other expense due to revaluation of warrants, offset by increased interest expense due to additional financings.

On December 10, 2020, the Company entered into a Supplemental Warrant Indenture with Odyssey Trust Company pursuant to which it amended the terms of the issued and outstanding subordinate voting share purchase warrants of the Company (the "Public Warrants") to convert the exercise price of the Public Warrants to $13.47 per share, the U.S. dollar equivalent of the Canadian dollar exercise price of the Public Warrants of C$17.25. As a result of this, the Public Warrants converted to equity and eliminated the necessity of revaluation expense on these warrants. The Company did acquire Canadian dollar warrants in the acquisition of Harvest and recorded income related to the revaluation of these warrants in the fourth quarter of the year ended December 31, 2021.

Additionally, interest expense increased as a result of new debt to support business growth, additional finance leases and additional construction finance liabilities acquired in the Harvest acquisition.

Provision for Income Taxes

The provision for income taxes for the year ended December 31, 2021 was $146.7 million an increase of $52.3 million from $94.5 million for the year ended December 31, 2020, due to an increase in gross profit of $181.4 million for the same period. Under IRC Section 280E, cannabis companies are only allowed to deduct expenses that are directly related to production of the products. The increase in income tax expense is due to the significant increase in gross profit as well as an increase in expenses with are not tax deductible under 280E.

Net Income and Comprehensive Income from Continuing Operations

Net income for the year ended December 31, 2021 was $19.4 million, a decrease of $43.6 million from $63.0 million for the year ended December 31, 2020. The decrease in net income was driven primarily by an increase in revenue due to increased dispensary locations, expansion of wholesale business, and acquisitions that was offset by the increased cost of goods sold and income tax expenses due to 280E, as described above. In addition, increases in sales and marketing and general and administrative expenses such significant expenses incurred to acquire and integrate new subsidiaries, most notably Harvest, increases in personnel costs, dispensary expenses, depreciation and amortization, interest expense, ramping infrastructure and go-forward compliance, all contributed to the offset in net income.

Net Loss from Discontinued Operations, Net of Tax Benefit

Net loss from discontinued operations, net of tax benefit, for the year ended December 31, 2021 was $1.9 million an increase of $1.9 million from zero for the year ended December 31, 2020, as there were no operations in the prior year 2020.

Liquidity and Capital Resources

Sources of Liquidity

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

Our primary uses of cash are for working capital requirements, capital expenditures, debt service payments, income tax payments, and acquisitions. Additionally, from time to time, we may use capital for other investing and financing activities. Working capital is used principally for our personnel as well as costs related to the growth, manufacture and production of our products. Our capital expenditures consist primarily of additional facilities and dispensaries, and improvements to existing facilities. Our debt service payments consist primarily of interest payments. Income tax payments are mainly represented by federal income tax payments due to IRC Section 280E. Acquisitions consist of expanding the cultivation and dispensary footprint.

Cash and cash equivalents were $212.3 million as of December 31, 2022. We believe our existing cash balances will be sufficient to meet our anticipated cash requirements from the date of this Annual Report on Form 10-K through at least the next 12 months. Any additional future requirements will be funded through the following sources of capital:

- Cash from ongoing operations,
- Market offerings - the Company has the ability to offer equity in the market for significant potential proceeds, as evidenced by previous recent private placements,
- Debt - the Company has the ability to obtain additional debt from additional creditors,
- Exercise of share-based awards - the Company may receive funds from exercise of options and warrants from the holders of such securities.

Cash Flows

The consolidated statements of cash flows include continuing operations and discontinued operations for the year ended December 31, 2022 and 2021. There were no discontinued operations for the year ended December 31, 2020. The table below highlights our cash flows for the periods indicated.

	Year Ended December 31,		
	2022	**2021**	**2020**
		(in thousands)	
Net cash provided by operating activities	$ 23,096	$ 12,898	$ 99,643
Net cash used in investing activities	(215,057)	(215,184)	(174,654)
Net cash provided by financing activities	177,796	289,232	129,911
Net (decrease) increase in cash and cash equivalents	(14,165)	86,946	54,900
Cash, cash equivalents, and restricted cash, beginning of year	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 year	$ 218,873	$ 233,098	$ 146,713

Cash Flow from Operating Activities

Net cash provided by operating activities was $23.1 million for the year ended December 31, 2022, an increase of $10.2 million, compared to $12.9 million net cash provided by operating activities during the year ended December 31, 2021. This is primarily due to favorable changes in working capital, including the timing of income tax payments that were offset by increases in inventory.

Cash Flow from Investing Activities

Net cash used in investing activities was $215.1 million for the year ended December 31, 2022, a decrease of $0.1 million, compared to the $215.2 million net cash used in investing activities for the year ended December 31, 2021. The decrease is mainly due to the decrease of property and equipment purchases offset by cash provided by the Harvest acquisition.

Cash Flow from Financing Activities

Net cash provided by financing activities was $177.8 million for the year ended December 31, 2022, a decrease of $111.4 million, compared to the $289.2 million net cash provided by financing activities for the year ended December 31, 2021. The decrease is primarily related to a decrease in proceeds from borrowings compared to the prior year.

Balance Sheet Exposure

As of December 31, 2022 and 2021, 100% of our balance sheet is exposed to U.S. cannabis-related activities. We believe our operations are in material compliance with all applicable state and local laws, regulations and licensing requirements in the states in which we operate. However, cannabis remains illegal under U.S. federal law. Substantially all our revenue is derived from U.S. cannabis operations. For information about risks related to U.S. cannabis operations, please refer to the "Risk Factors" section of this Annual Report on Form 10-K.

Contractual Obligations

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

	<1 Year	1 to 3 Years	3 to 5 Years	>5 Years	Total
			(in thousands)		
Notes payable	$ 12,453	$ 7,251	$ 72,428	$ 16,401	$ 108,533
Private placement notes	—	130,000	425,000	—	555,000
Operating lease liabilities	21,807	43,019	41,430	92,038	198,294
Finance lease liabilities	15,629	29,919	26,276	48,076	119,900
Construction finance liabilities	23,406	47,911	49,606	403,934	524,857
Lease settlements	2,041	1,429	847	2,647	6,964
Total (1)	$ 75,336	$ 259,529	$ 615,587	$ 563,096	$ 1,513,548

(1) Includes liabilities due in relation to our discontinued operations.

For additional information on our commitments for financing arrangements, future lease payments, lease guarantees, and other obligations, see Item 8, Note 10. *Notes Payable*, Note 11. *Private Placement Notes,* Note 12. *Leases*, Note 13. *Construction Finance Liabilities,* and Note 22. *Commitments and Contingencies.*

As of the date of this Annual Report on Form 10-K, we do not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of, including, and without limitation, such considerations as liquidity and capital resources.

Critical accounting policies and estimates

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates, and revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below. See *Note 3. Summary of Significant Accounting Policies* to the consolidated financial statements included in this Annual Report on Form 10-K for further information.

Inventory

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price, what we expect to realize by selling the inventory and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Estimated Useful Lives and Depreciation and Amortization of Property and Equipment and Intangible Assets

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Accounting for Acquisitions and Business Combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

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.

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 the cost of producing the products or cost of production.

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 not 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.

Long-lived Asset Impairment Assessment

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, we first compare 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, we calculate an impairment loss. 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. We recognize an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value.

Goodwill Impairment Assessment

Goodwill is allocated at the date the goodwill is initially recorded. We conclude we operate one operating segment and reporting unit evaluating goodwill for impairment as one singular reporting unit. We evaluate our goodwill for impairment annually at the beginning of the fourth quarter or earlier upon the occurrence of substantive unfavorable changes in economic conditions, industry trends, costs, cash flows, or ongoing declines in market capitalization. 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. In performing Step Zero for the Company's goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company's business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

The quantitative impairment test requires judgment, including the identification of reporting units, the assignment of assets, liabilities, and goodwill to reporting units, and the determination of fair value of each reporting unit. The impairment test requires the comparison of the fair value of a reporting unit with the carrying amount, including goodwill. If the Company would conclude a quantitative impairment test is required, the Company would review fair value techniques for the most appropriate technique generally applying the income approach by using discounted cash flow ("DCF") analyses. Determining fair value requires the Company to make judgments about appropriate forecasted revenue and related revenue growth rate, the earnings before interest, taxes, depreciation, and amortization ("EBITDA") margins rate and the weighted average cost of capital. The cash flows employed in the DCF analysis are based the budget of the reporting unit, long-term business plan and recent operating performance. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the reporting unit and market conditions. Given the inherent uncertainty in determining the assumptions underlying a DCF analysis, actual results may differ from those used in our valuations. The reporting unit may be at risk of failing the quantitative impairment test if it had a fair value that is not substantially in excess of the carrying amount at the assessment date.

At the time of our assessment, the Company's share price had declined affecting the Company's market capitalization. This is considered a risk indicator for goodwill impairment. In assessing the reasonableness of the Company's fair value, we reconciled the Company's market capitalization to the aggregate determined fair value of the Company, which, as of December 31, 2022, included a control premium. In order to determine the control premium, the Company assessed transactions of comparable multi-state operators in the cannabis industry. We determined the control premium was in line with other comparable transactions. The resulting fair value of the Company, including control premium, exceeded its carrying value. Therefore, management has concluded the market capitalization as of December 31, 2022 was not a triggering event that would require the Company to perform a quantitative assessment of goodwill.

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.

Share-Based Payment Arrangements

We use the Black-Scholes pricing model to determine the fair value of options and warrants granted to employees and directors under share-based payment arrangements, where appropriate. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of future share price, risk free rates, and future dividend yields at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Commitments and Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Periodically, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be reliably estimated, such amount is recognized in contingencies. Contingent liabilities are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records contingent liabilities for such contracts.

Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Critical accounting policies

Inventory

Our inventories primarily consist of raw materials, work in process, and finished goods. Costs incurred during the growing and production process are capitalized as incurred to the extent that cost is less than net realizable value. The costs include materials, labor and manufacturing overhead used in the growing and production processes. Pre-harvest costs are capitalized. Our inventory of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value.

Leases

ASC Topic 842 is a standard that requires lessees to increase transparency and comparability among organization by requiring the recognition of Right of Use Assets “ROU” assets and lease liabilities on the balance sheet. The requirements of this standard include a significant increase in required disclosures to meet the objectives of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Revenue Recognition

We recognize revenue in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Through our application of the standard, we recognize revenue to depict the transfer of promised goods to our customers in an amount that reflects the consideration of which we expect to be entitled to in exchange for those goods. Revenues consist of retail and wholesale sales of cannabis and cannabis related products, 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.

Share Based Compensation

We account for share-based compensation expense in accordance with FASB ASC 718 Compensation – Stock Compensation, which requires the measurement and recognition of share-based compensation expense based on estimated fair values, for all stock-based payment awards made to employees. We measure the share-based payment awards based on its estimated fair value of the awards using the Black-Scholes option pricing model, and the fair value of the Company’s common stock on the date of grant, for the warrants and options. We measure the share-based payment awards based on its estimated fair value of the awards using the Black-Scholes option pricing model for warrants and options, and the fair value of the Company’s common stock on the date of grant for restricted stock awards ("RSUs").

Acquisitions

We account 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 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.

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Financial Instruments

We apply fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the 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, we consider 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.

Management's Use of Non-GAAP Measures

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

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

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

Adjusted EBITDA

	Year Ended December 31,		Change Increase / (Decrease)	
	2022	2021	$	%
	(in thousands)			
Adjusted EBITDA	$ 400,137	$ 384,581	$ 15,556	4%

Adjusted EBITDA for the year ended December 31, 2022, was $400.1 million, an increase of $15.6 million or 4%, from $384.6 million for the year ended December 31, 2021. The following table presents a reconciliation of GAAP net income (loss) to non-GAAP Adjusted EBITDA, for each of the periods presented:

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Net (loss) income and comprehensive (loss) income attributable to common shareholders	$ (246,064)	$ 18,032	$ 62,998
Add (deduct) impact of:			
Interest expense	79,771	34,787	20,237
Provision for income taxes	161,820	146,703	94,451
Depreciation and amortization	119,371	47,229	12,600
Depreciation included in cost of goods sold	52,541	24,073	11,542
EBITDA	$ 167,439	$ 270,824	$ 201,828
Loss on impairment and disposal of long-lived assets, net	$ 75,547	$ 5,371	$ 63
Discontinued operations	47,562	1,939	—
Acquisition and transaction costs	24,756	15,831	4,724
Integration and transition costs	21,085	25,601	—
Legislative campaign contributions	20,000	—	—
Other non-recurring expenses	27,818	5,053	—
Share-based compensation and related premiums	18,124	13,444	2,765
Inventory step up, fair value	1,048	41,189	955
COVID related expenses	796	6,188	9,125
Change in fair value of derivative liabilities - warrants	(2,643)	(208)	42,679
Other income, net	(1,376)	(1,109)	(2,062)
Results of entities not legally controlled	(19)	458	—
Total adjustments	232,698	113,757	58,249
Adjusted EBITDA	$ 400,137	$ 384,581	$ 260,077

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Strategic and operational risks arise if we fail to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Currency Risk

Our operating results and financial position are reported in U.S. dollars. Some of our financial transactions are denominated in currencies other than the U.S. dollar. The results of operations are subject to currency transaction risks.

We have no hedging agreements in place with respect to foreign exchange rates. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Credit Risk

Management does not believe that the Company has credit risk related to its customers, as the Company's revenue is generated primarily through cash transactions. The Company deals almost entirely with on demand sales and does not have any material