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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Trulieve Cannabis Corp., together with its subsidiaries ("Trulieve," "the Company," "we," or "our") should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes included elsewhere within this Quarterly Report on Form 10-Q and the Audited Consolidated Financial Statements and the related Notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Form 10-K"). There have been no material changes as of March 31, 2023 to the application of our critical accounting policies as described in Item 7 of the Form 10-K.

This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Quarterly Report on Form 10-Q and in "Part I, Item 1A. Risk Factors" in our 2022 Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained herein and in our 2022 Form 10-K. See "Special Note Regarding Forward-Looking Statements and Projections" in "Part II. Other Information" of this report. You should consider our forward-looking statements in light of the risks discussed in "Item 1A. Risk Factors" in "Part II. Other Information" of this report and our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this report, the Form 10-K and our other filings with the Securities and Exchange Commission (the "SEC").

Overview

Trulieve Cannabis Corp. is a reporting issuer in the United States and Canada. The Company's Subordinate Voting Shares (as hereinafter defined) are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "TRUL" and are also traded in the United States on the OTCQX Best Market ("OTCQX") under the symbol "TCNNF".

Trulieve is a vertically integrated cannabis company and multi-state operator which currently operates in eleven states. Headquartered in Quincy, Florida, we are the market leader for quality medical cannabis products and services in Florida and we have market leading retail operations in Arizona, 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 enacted laws 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 March 31, 2023 we operated the following:

State	Number of Dispensaries	Number of Cultivation and Processing Facilities
Florida	125	6
Arizona	20	4
Pennsylvania	19	3
West Virginia	10	1
Maryland	3	1
Massachusetts	3	1
California	3	—
Connecticut	1	—
Colorado	—	1
Georgia	—	1
Total	184	18

As of March 31, 2023, we employed over 5,900 people, and we are committed to providing patients and adult use consumers, which we refer to herein as "customers," a consistent and welcoming retail experience across Trulieve branded stores and affiliated retail locations.

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

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

Southeast Hub

Our Southeast hub operations are anchored by our cornerstone market of Florida. Trulieve was the first licensed operator in the medical market in Florida with initial sales in 2016. Publicly available reports filed with the Florida Office of Medical Marijuana Use show Trulieve has the most dispensing locations and the greatest dispensing volume across product categories out of all licensed medical marijuana businesses in the state as of March 31, 2023. Trulieve cultivates and produces all of its products in-house and distributes those products to customers in Trulieve branded stores (dispensaries) throughout Florida, as well as via home delivery.

In accordance with Florida law, Trulieve grows all of its cannabis in secure enclosed indoor facilities and greenhouse structures. In furtherance of our customer-first focus, we have developed a suite of Trulieve branded products, including flower, edibles, vaporizer cartridges, concentrates, topicals, capsules, tinctures, dissolvable powders, and nasal sprays. This wide variety of products gives customers the ability to select product(s) that consistently deliver the desired effect and in their preferred method of delivery. These products are delivered to customers statewide in Trulieve-branded retail stores and by home delivery.

In Georgia, Trulieve GA holds one of two Class 1 Production Licenses in the state and is permitted to cultivate cannabis for the manufacture and sale of low tetrahydrocannabinol, or THC oil. The Class 1 Production License allows for production facilities and five retail location with the potential to increase the retail locations as the registered patient count increases. Our cultivation and processing facility is active, producing cannabis oil via hydrocarbon extraction. Dispensaries have been constructed and are ready to serve the patients of Georgia. On April 28, 2023, the Company opened the first locations in Georgia, opening a store in Macon and Marietta.

Northeast Hub

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

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

We operate three medical dispensaries and conduct wholesale sales supported by cultivation and processing in Hancock, Maryland.

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

We operate a medical cannabis dispensary located in Bristol, Connecticut. In February 2023 we obtained a hybrid license and began adult-use cannabis sales in the state.

We operate ten medical dispensaries in West Virginia, supported by cultivation and processing operations in Huntington, West Virginia.

Southwest Hub

Our Southwest hub operations are anchored by our cornerstone market of Arizona. In Arizona, Trulieve holds a market-leading retail position with twenty dispensaries, offering medical and adult use customers a wide range of branded and third-party products, including brand partner products, in addition to sales in the wholesale channel. We also serve medical and adult use customers in California. Trulieve conducts wholesale operations in Colorado, serving the medical and adult use markets.

Critical Accounting Estimates and Judgements

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in our condensed consolidated financial statements, include, but are not limited to, accounting for acquisitions and business combinations; initial valuation and subsequent impairment testing of goodwill, other intangible assets and long-lived assets; leases; fair value of financial instruments, income taxes; inventory; share-based payment arrangements, and commitment and contingencies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Drivers of Results of Continuing Operations

Revenue, Net

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 primarily relate to personnel and other costs related to dispensaries. Other expenses consist of marketing expenses related to marketing programs for our products. As we continue to expand and open additional dispensaries, we expect our sales and marketing expenses to continue to increase over the long-term.

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 cost of goods sold.

Financial Review

Results of Continuing Operations

This section of this Form 10-Q generally describes and compares our results of continuing operations for the three months ended March 31, 2023 and 2022, except as noted. Refer to *Note 16. Discontinued Operations* to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional financial information related to our discontinued operations.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022		
	(in thousands)				
Statement of operations data:	**Amount**	**Percentage of Revenues, Net**	**Amount**	**Percentage of Revenues, Net**	**Amount Change**
Revenue, net of discounts	$289,089	100.0%	$317,747	100.0%	$(28,658)
Cost of goods sold	139,151	48.1%	137,291	43.2%	1,860
Gross profit	149,938	51.9%	180,456	56.8%	(30,518)
Expenses:					
Sales and marketing	62,312	21.6%	72,838	22.9%	(10,526)
General and administrative	39,383	13.6%	33,547	10.6%	5,836
Depreciation and amortization	30,371	10.5%	28,436	8.9%	1,935
Impairments and disposals of long-lived assets, net	31,015	10.7%	16,461	5.2%	14,554
Total expenses	163,081	56.4%	151,282	47.6%	11,799
(Loss) income from operations	(13,143)	(4.5%)	29,174	9.2%	(42,317)
Other (expense) income:					
Interest expense	(22,748)	(7.9%)	(17,877)	(5.6%)	(4,871)
Change in fair value of derivative liabilities - warrants	252	0.1%	820	0.3%	(568)
Other income, net	4,918	1.7%	885	0.3%	4,033
Total other expense	(17,578)	(6.1%)	(16,172)	(5.1%)	(1,406)
(Loss) income before provision for income taxes	(30,721)	(10.6%)	13,002	4.1%	(43,723)
Provision for income taxes	34,958	12.1%	43,125	13.6%	(8,167)
Net loss from continuing operations and comprehensive loss	(65,679)	(22.7%)	(30,123)	(9.5%)	(35,556)
Net (income) loss from discontinued operations, net of tax benefit of $8 and $809, respectively	(48)	(0.0%)	2,359	0.7%	(2,407)
Net loss	(65,631)	(22.7%)	(32,482)	(10.2%)	(33,149)
Less: Net loss and comprehensive loss attributable to non-controlling interest from continuing operations	(1,507)	(0.5%)	(507)	(0.2%)	(1,000)
Net loss and comprehensive loss attributable to common shareholders	$ (64,124)	(22.2%)	$ (31,975)	(10.1%)	$(32,149)

Revenue, Net

Revenue, net for the three months ended March 31, 2023 was $289.1 million, a decrease of $28.7 million or 9% from $317.7 million for the three months ended March 31, 2022. The decrease in revenue is due to a $15.0 million decrease in retail revenues and a $13.7 million decrease in wholesale revenues. The Company experienced increased competition and promotional activity in certain markets, including Florida, Pennsylvania and Massachusetts. The Company operated 184 dispensaries and 165 dispensaries as of March 31, 2023 and March 31, 2022, respectively, opening three new dispensaries during the first quarter of 2023.

Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2023 was $139.2 million, an increase of $1.9 million or 1% from $137.3 million for the three months ended March 31, 2022. Cost of goods as a percentage of revenues, net was 48.1% in the current quarter compared to 43.2% in the prior year period. The increase was primarily due to increased depreciation related to capital expenditures to support business growth, new production facilities in existing markets where economies of scale are anticipated in the future, and expansion into new markets which are not fully vertical, resulting in the sale of third-party products, and therefore yield lower margin than our vertical markets.

Gross Profit

Gross profit for the three months ended March 31, 2023 was $149.9 million, a decrease of $30.5 million or 17% from $180.5 million for the three months ended March 31, 2022. Gross profit as a percentage of revenue, net was 51.9% in the current quarter compared to 56.8% in the prior year period driven by increased promotional activity in certain retail markets, a product mix shift to value brands and initiatives to reduce inventory levels.

Sales and Marketing Expense

Sales and marketing expense for the three months ended March 31, 2023 was $62.3 million, a decrease of $10.5 million or 14% from $72.8 million for the three months ended March 31, 2022. Sales and marketing expense as a percentage of revenues, net was 21.6% in the current quarter compared to 22.9% in the prior year period. The decrease in expense was largely attributable to lower headcount in the Company's dispensaries as we refined staffing levels to more closely align with consumer traffic and consumption levels. Another factor in the decrease in sales and marketing expenses is $2.1 million related to the accrual of earn-outs related to the Watkins acquisition for the three months ended March 31, 2022.

General and Administrative Expense

General and administrative expense for the three months ended March 31, 2023 was $39.4 million, an increase of $5.8 million or 17% from $33.5 million for the three months ended March 31, 2022. The increase in general and administrative expense is primarily due to a $10.5 million contribution to the Smart and Safe Florida campaign during the first quarter of 2023, partially offset by lower stock-based compensation expense and transaction and integration costs as compared to the prior period.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended March 31, 2023 was $30.4 million, an increase of $1.9 million or 7% from $28.4 million for the three months ended March 31, 2022. The overall increase in depreciation and amortization expense was due to acquired facilities and investment in infrastructure for additional dispensaries and cultivation facilities.

Impairments and Disposals of Long-lived Assets, Net

Impairment and disposal of long-lived assets, net for the three months ended March 31, 2023 was $31.0 million, an increase of $14.6 million or 88% from $16.5 million for the three months ended March 31, 2022. During the three months ended March 31, 2023, the Company recorded an impairment of $30.3 million in the Massachusetts market, which primarily consisted of intangible assets. The impairment expense incurred in the prior year was primarily due to exited facilities and the repositioning of assets, primarily in our southeast hub.

Other Expense, Net

Other expense, net for the three months ended March 31, 2023 was $17.6 million, an increase of $1.4 million or 9% from $16.2 million for three months ended March 31, 2022. The increase is primarily the result of a $4.9 million increase in interest expense related to additional finance leases and private placement notes to support the long-term business growth, partially offset by gains related to non-operating assets and interest income on money market funds.

Provision for Income Taxes

The provision for income taxes for the three months ended March 31, 2023 was $35.0 million, a decrease of $8.2 million or 19% from $43.1 million for the three months ended March 31, 2022. For the three months ended March 31, 2023, the decrease in income tax expense is primarily due to the decrease in gross profit. Under IRC Section 280E, cannabis companies are only allowed to deduct expenses that are directly related to production of the products. The Company's quarterly tax provision is subject to change resulting from several factors, including regulations and administrative practices, principles, and interpretations related to tax.

Net Loss from Continuing Operations and Comprehensive Loss

Net loss from continuing operations and comprehensive loss for the three months ended March 31, 2023 was $65.7 million, an increase of $35.6 million or 118% from $30.1 million for the three months ended March 31, 2022. The increase was driven primarily by lower gross margin and impairment expense, partially offset by lower sales and marketing and decreased tax expense.

Net Income (Loss) from Discontinued Operations, Net of Tax Benefit

Net income from discontinued operations, net of tax benefit for the three months ended March 31, 2023 increased $2.4 million or 102% from a net loss of $2.4 million for the three months ended March 31, 2022. Net losses relate to the Company’s operations in Nevada that were discontinued in 2022.

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.

Cash and cash equivalents were $188.1 million as of March 31, 2023. We believe our existing cash balances will be sufficient to meet our anticipated cash requirements from the date of this Quarterly Report on Form 10-Q 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 from the holders of such securities.

Cash Flows

The condensed consolidated statements of cash flows include continuing operations and discontinued operations for the three months ended March 31, 2023 and 2022. The table below highlights our cash flows for the periods indicated.

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	$ 410	$ 45,147
Net cash used in investing activities	(18,812)	(83,828)
Net cash (used in) provided by financing activities	(5,810)	72,248
Net (decrease) increase in cash and cash equivalents	$ (24,212)	$ 33,567

Cash Flow from Operating Activities

Net cash provided by operating activities was $0.4 million for the three months ended March 31, 2023, a decrease of $44.7 million as compared to $45.1 million net cash provided by operating activities during the three months ended March 31, 2022. This is primarily due to income tax payments of $46.3 million that were deferred from the fourth quarter of 2022 due to Hurricane Ian and paid in the first quarter of 2023. Cash flows from operating activities were also impacted by lower results in the three months ended March 31, 2023, offset by favorable changes in working capital (excluding tax payments).

Cash Flow from Investing Activities

Net cash used in investing activities was $18.8 million for the three months ended March 31, 2023, a decrease of $65.0 million, compared to the $83.8 million net cash used in investing activities for the three months ended March 31, 2022. The primary use of cash in both periods was the purchase of property and equipment, with the prior period having significantly more purchases of property and equipment. Additionally, the prior period included the cash payment of $27.5 million related to the acquisition of the Watkins Cultivation Operation.

Cash Flow from Financing Activities

Net cash used in financing activities was $5.8 million for the three months ended March 31, 2023, a decrease of $78.1 million, compared to the $72.2 million net cash provided by financing activities for the three months ended March 31, 2022. The decrease was primarily due to proceeds of $76.4 million from private placement notes which closed in the first quarter of 2022.

Balance Sheet Exposure

As of March 31, 2023 and December 31, 2022, 100% of our condensed consolidated balance sheet is exposed to U.S. cannabis-related activities. We believe our operations are in material compliance with all applicable state and local laws, regulations, and licensing requirements in the states in which we operate. However, cannabis remains illegal under U.S. federal law. Substantially all our revenue is derived from U.S. cannabis operations. For information about risks related to U.S. cannabis operations, please refer to the “Risk Factors” section of this Quarterly Report on Form 10-Q and "Part I, Item 1A - Risk Factors" in our 2022 Form 10-K.

Contractual Obligations

As of March 31, 2023, 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	$ 9,737	$ 7,307	$ 71,797	$ 16,249	$ 105,090
Private placement notes	$ —	$ 130,000	$ 425,000	$ —	$ 555,000
Operating lease liabilities	$ 22,263	$ 44,315	$ 42,800	$ 92,125	$ 201,503
Finance lease liabilities	$ 14,704	$ 28,851	$ 25,871	$ 43,855	$ 113,281
Construction finance liabilities	$ 22,029	$ 45,962	$ 48,623	$ 402,809	$ 519,423
Lease Settlements	$ 1,646	$ 1,284	$ 847	$ 2,540	$ 6,317
Total(1)	$ 70,379	$ 257,719	$ 614,938	$ 557,578	$1,500,614

(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 Note 9. Notes Payable, Note 10. Private Placement Notes, Note 11. Leases, Note 12. Construction Finance Liabilities, and Note 20. Commitments and Contingencies.

Off-Balance Sheet Arrangements

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

Management's Use of Non-GAAP Measures

Our management uses a financial measure that is not in accordance with generally accepted accounting principles in the U.S., or GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. This non-GAAP financial measure should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with GAAP. Adjusted EBITDA is a financial measure that is not defined under GAAP. Our management uses this non-GAAP financial measure and believes it enhances an investor's understanding of our financial and operating performance from period to period because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of our ongoing operations and performance. Adjusted EBITDA excludes from net income as reported interest, provision for income taxes, and depreciation and amortization to arrive at EBITDA. This is then adjusted for items that do not represent the operations of the core business such as integration and transition costs, acquisition and transaction costs, inventory step-up for fair value adjustments in purchase accounting, 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 three months ended March 31, 2022, 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

	Three Months Ended March 31,		Change Increase / (Decrease)	
	2023	**2022**	**$**	**%**
	(in thousands)			
Adjusted EBITDA	$ 78,152	$ 105,439	$ (27,287)	(26)%

Adjusted EBITDA for the three months ended March 31, 2023 was $78.2 million, a decrease of $27.3 million or 26%, from $105.4 million for the three months ended March 31, 2022. The following table presents a reconciliation of GAAP net income to non-GAAP Adjusted EBITDA, for each of the periods presented:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net loss and comprehensive loss attributable to common shareholders	$ (64,124)	$ (31,975)
Add (deduct) impact of:		
Interest expense	22,748	17,877
Provision for income taxes	34,958	43,125
Depreciation and amortization	30,371	28,436
Depreciation included in cost of goods sold	13,551	10,683
EBITDA	37,504	68,146
Impairment and disposal of long-lived assets, net	31,015	16,461
Legislative campaign contributions	10,512	—
Integration and transition costs	1,938	5,274
Share-based compensation and related premiums	2,401	4,564
Other income, net	(4,918)	(885)
Change in fair value of derivative liabilities - warrants	(252)	(820)
Discontinued operations	(48)	2,359
Acquisition and transaction costs	—	3,297
Other non-recurring costs	—	6,189
Inventory step up, fair value	—	400
COVID related expenses	—	431
Results of entities not legally controlled	—	23
Total adjustments	40,648	37,293
Adjusted EBITDA	$ 78,152	$ 105,439

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risk disclosures as set forth in Part II Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures.

Material Weakness in Internal Control Over Financial Reporting

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

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

Management of the Company, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of March 31, 2023. Our Chief Executive Officer and Chief Financial Officer have concluded that, due to the material weaknesses identified in the prior period which are currently in the process of being remediated, as of March 31, 2023, we did not maintain effective disclosure controls and procedures because of the material weaknesses in internal control as described in Item 9A. Controls and Procedures in the 2022 Annual Report on Form 10-K, filed with the SEC on March 8, 2023.