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 "2022 Form 10-K"). There have been no material changes as of June 30, 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 in “Part I, Item 1A. Risk Factors” in our 2022 Form 10-K and in “Part II, Item 1A – Risk Factors” in our Q1 2023 Form 10-Q (the “Q1 Form 10-Q”). 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 and Q1 Form 10-Q. 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 a number of 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. Trulieve leverages its developed processes cultivate, process, and/or dispense a wide-range of permitted cannabis products across its operating markets with high standards for safety, effectiveness, quality, and customer care at the forefront.

As of June 30, 2023 we operated the following:

State	Number of Dispensaries	Number of Cultivation and Processing Facilities
Florida	125	6
Arizona	21	4
Pennsylvania	20	3
West Virginia	10	1
Maryland	3	1
Georgia	3	1
Connecticut	1	—
Colorado	—	1
Total	183	17

As of June 30, 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.

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.

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.

Our Southeast hub operations are anchored by our cornerstone market of Florida. 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 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. On April 28, 2023, the Company opened the first locations in Georgia, opening a store in Macon and Marietta and opened a third store in Newnan in June 2023.

Our Southwest hub operations are anchored by Arizona, where Trulieve holds a market-leading retail position with twenty one 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.

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.

During the three months ended June 30, 2023, the Company approved a plan to exit the Massachusetts market to redirect resources to more attractive and profitable markets. The exit of Massachusetts represented a strategic shift and the operations of Massachusetts are reported as discontinued operations as of June 30, 2023.

During the three months ended June 30, 2023, the Company divested three additional dispensaries in California.

Recent Developments

On June 19, 2023, Alex D'Amico resigned as the Company's Chief Financial Officer effective immediately. The resignation was not as a result of any disagreements regarding any matter relating to the Company’s operations, policies, or practices. During the interim period, the Company has appointed Ryan Blust, the Company’s Vice President, Finance, to serve as its Interim Chief Financial Officer. The Company appointed Tim Mullany as Chief Financial Officer, effective as of July 10, 2023; however, Mr. Mullany resigned as the Company’s Chief Financial Officer for personal reasons effective July 20, 2023 and the Company appointed Ryan Blust as its interim Chief Financial Officer effective July 21, 2023.

In connection with Mr. D’Amico’s resignation, the audit committee of the Company’s board of directors (the “Audit Committee”), with the assistance of independent outside legal counsel, investigated circumstances relating to irregularities with Mr. D’Amico’s expense reimbursement submissions and his use of a corporate credit card over the tenure of his employment at the Company. The Audit Committee and the Company determined that Mr. D’Amico engaged in conduct that was inconsistent with the Company’s policies and procedures by both submitting expense reimbursements for personal expenses as well as utilizing corporate credit cards for personal expenses. The investigation has concluded, and the Company estimates that the total amount in question is between $350,000 to $400,000. Mr. D’Amico has not reimbursed the Company for such expenses. The Audit Committee and the Company have concluded that the matters that were the subject of the investigation and the amounts involved did not have a material impact on the Company’s previously reported financial statements for any period. The Company is still evaluating its options, particularly with respect to the expenses submitted by Mr. D’Amico, which may include, without limitation, the Company seeking restitution from Mr. D’Amico of the amounts determined to have been improperly reimbursed and making corrective tax reports relating to any such amounts not recovered.

Critical Accounting Estimates and Judgments

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.

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 and six months ended June 30, 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 June 30, 2023 Compared to Three Months Ended June 30, 2022

	Three Months Ended June 30,				
	2023		2022		
	(in thousands)				
Statement of operations data:	**Amount**	**Percentage of Revenues, Net**	**Amount**	**Percentage of Revenues, Net**	**Amount Change**
Revenue, net	$ 281,795	100.0%	$313,839	100.0%	$ (32,044)
Cost of goods sold	140,188	49.7%	130,466	41.6%	9,722
Gross profit	141,607	50.3%	183,373	58.4%	(41,766)
Expenses:					
Sales and marketing	61,075	21.7%	73,902	23.5%	(12,827)
General and administrative	34,902	12.4%	33,575	10.7%	1,327
Depreciation and amortization	26,052	9.2%	29,367	9.4%	(3,315)
Impairments and disposals of long-lived assets, net	3,310	1.2%	5,055	1.6%	(1,745)
Impairment of goodwill	307,590	109.2%	—	0.0%	307,590
Total expenses	432,929	153.6%	141,899	45.2%	291,030
(Loss) income from operations	(291,322)	(103.4%)	41,474	13.2%	(332,796)
Other (expense) income:					
Interest expense	(18,931)	(6.7%)	(18,144)	(5.8%)	(787)
Change in fair value of derivative liabilities - warrants	—	0.0%	1,442	0.5%	(1,442)
Other income, net	1,976	0.7%	1,683	0.5%	293
Total other expense, net	(16,955)	(6.0%)	(15,019)	(4.8%)	(1,936)
(Loss) income before provision for income taxes	(308,277)	(109.4%)	26,455	8.4%	(334,732)
Provision for income taxes	34,027	12.1%	45,242	14.4%	(11,215)
Net loss from continuing operations	(342,304)	(121.5%)	(18,787)	(6.0%)	(323,517)
Net loss from discontinued operations, net of tax (provision) benefit of $(946) and $473, respectively	(64,568)	(22.9%)	(5,234)	(1.7%)	(59,334)
Net loss	(406,872)	(144.4%)	(24,021)	(7.7%)	(382,851)
Less: Net loss attributable to non-controlling interest from continuing operations	(2,353)	(0.8%)	(1,530)	(0.5%)	(823)
Less: Net loss attributable to non-controlling interest from discontinued operations	(670)	(0.2%)	—	0.0%	(670)
Net loss attributable to common shareholders	$(403,849)	(143.3%)	$ (22,491)	(7.2%)	$(381,358)

Revenue, Net

Revenue, net for the three months ended June 30, 2023 was $281.8 million, a decrease of $32.0 million or 10% from $313.8 million for the three months ended June 30, 2022. The decrease in revenue is due to a $25.7 million decrease in retail revenues and a $6.3 million decrease in wholesale revenues. The Company experienced increased competition and promotional activity in certain markets. The Company operated 183 dispensaries and 165 dispensaries as of June 30, 2023 and June 30, 2022, respectively.

Cost of Goods Sold

Cost of goods sold for the three months ended June 30, 2023 was $140.2 million, an increase of $9.7 million or 7% from $130.5 million for the three months ended June 30, 2022. Cost of goods as a percentage of revenue, net was 49.7% in the current quarter compared to 41.6% in the prior year period. The increase was primarily due to inventory reduction efforts to right-size inventory levels, 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. The Company also incurred additional costs related to excess capacity in certain temporarily idled facilities.

The Company has continued to see increased cost of goods sold in relation to our revenues due to our expansion and streamlining efforts which we expect to derive cost savings and long-term benefits in the future.

Gross Profit

Gross profit for the three months ended June 30, 2023 was $141.6 million, a decrease of $41.8 million or 23% from $183.4 million for the three months ended June 30, 2022. Gross profit as a percentage of revenue, net was 50.3% in the current quarter compared to 58.4% in the prior year period driven by increased promotional activity in certain retail markets, price compression in certain markets, a product mix shift to value brands, initiatives to reduce inventory levels and costs related to excess capacity in certain temporarily idled facilities.

Sales and Marketing Expense

Sales and marketing expense for the three months ended June 30, 2023 was $61.1 million, a decrease of $12.8 million or 17% from $73.9 million for the three months ended June 30, 2022. Sales and marketing expense as a percentage of revenues, net was 21.7% in the current quarter compared to 23.5% 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. The decrease in sales and marketing expenses was also due to the accrual of $5.2 million in the prior year related to the Watkins earnout.

General and Administrative Expense

General and administrative expense for the three months ended June 30, 2023 was $34.9 million, an increase of $1.3 million or 4% from $33.6 million for the three months ended June 30, 2022. The increase in general and administrative expense is primarily due to a $8.6 million of legislative campaign contributions to support the Florida adult-use ballot initiative, 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 June 30, 2023 was $26.1 million, a decrease of $3.3 million or 11% from $29.4 million for the three months ended June 30, 2022. The decrease in depreciation and amortization expense was attributable to certain intangible assets becoming fully amortized in the prior year.

Impairments and Disposals of Long-lived Assets, Net

Impairment and disposal of long-lived assets, net for the three months ended June 30, 2023 was $3.3 million, a decrease of $1.7 million from $5.1 million for the three months ended June 30, 2022. The expense in the current quarter was primarily related to asset disposals in our California market and exiting the Watkins Cultivation Operation in the second quarter of 2023. The expense incurred in the prior year was primarily due to exited facilities and the repositioning of assets, primarily in our southeast hub.

Impairment of Goodwill

Impairment of goodwill for the three months ended June 30, 2023 was $307.6 million, an increase of $307.6 million from zero for the three months ended June 30, 2022 Based on the results of the Company's goodwill impairment procedures, the Company recorded a $307.6 million goodwill impairment for the single reporting unit during the three months ended June 30, 2023. The Company finds this is not a negative indicator of historic or current operating results and not a negative indicator of future performance as the Company has taken steps to shed underperforming assets while focusing on cash conservation which is reflective in the results of operations as of June 30, 2023. Additionally, the resulting non-cash charge has no impact on the Company's compliance with debt covenants, its cash flows, or available liquidity.

Other Expense, Net

Other expense, net for the three months ended June 30, 2023 was $17.0 million, an increase of $1.9 million or 13% from $15.0 million for three months ended June 30, 2022. The increase is primarily the result of a change in the valuation of the warrants in the prior year which expired June 2022.

Provision for Income Taxes

The provision for income taxes for the three months ended June 30, 2023 was $34.0 million, a decrease of $11.2 million or 25% from $45.2 million for the three months ended June 30, 2022. For the three months ended June 30, 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

Net loss from continuing operations for the three months ended June 30, 2023 was $342.3 million, an increase of $323.5 million from $18.8 million for the three months ended June 30, 2022. The increase was driven primarily by the goodwill impairment charge of $307.6 million, lower gross margin, and an increase of $8.6 million in legislative campaign contributions to support the Florida adult-use ballot initiative. These impacts were partially offset by lower operating expenses driven by the Company's continued focus on cost savings initiatives, expenses of $5.2 million incurred in the prior year period related to the accrual of the Watkins earnout and a $11.2 million decrease in tax expense.

Net Loss from Discontinued Operations, Net of Tax Benefit

Net loss from discontinued operations, net of tax benefit for the three months ended June 30, 2023 was $64.6 million, an increase of $59.3 million from $5.2 million for the three months ended June 30, 2022. The increase in net loss is primarily attributable to losses from the exit of the Company's operations in Massachusetts in the second quarter of 2023, including the disposal of long-lived assets of $31.6 million and a loss on divestment of a variable interest entity of $10.0 million. Discontinued operations also include the results of the Nevada operations that were discontinued in 2022.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022		
	(in thousands)				
Statement of operations data:	**Amount**	**Percentage of Revenues, Net**	**Amount**	**Percentage of Revenues, Net**	**Amount Change**
Revenue, net	$567,009	100.0%	$624,400	100.0%	$(57,391)
Cost of goods sold	275,240	48.5%	261,172	41.8%	14,068
Gross profit	291,769	51.5%	363,228	58.2%	(71,459)
Expenses:					
Sales and marketing	121,808	21.5%	145,352	23.3%	(23,544)
General and administrative	74,212	13.1%	66,989	10.7%	7,223
Depreciation and amortization	55,666	9.8%	57,151	9.2%	(1,485)
Impairments and disposals of long-lived assets, net	6,689	1.2%	21,516	3.4%	(14,827)
Impairment of goodwill	307,590	54.2%	—	0.0%	307,590
Total expenses	565,965	99.8%	291,008	46.6%	274,957
(Loss) income from operations	(274,196)	(48.4%)	72,220	11.6%	(346,416)
Other (expense) income:					
Interest expense	(40,091)	(7.1%)	(34,497)	(5.5%)	(5,594)
Change in fair value of derivative liabilities - warrants	252	0.0%	2,262	0.4%	(2,010)
Other income, net	6,893	1.2%	2,568	0.4%	4,325
Total other expense, net	(32,946)	(5.8%)	(29,667)	(4.8%)	(3,279)
(Loss) income before provision for income taxes	(307,142)	(54.2%)	42,553	6.8%	(349,695)
Provision for income taxes	69,484	12.3%	88,384	14.2%	(18,900)
Net loss from continuing operations	(376,626)	(66.4%)	(45,831)	(7.3%)	(330,795)
Net loss from discontinued operations, net of tax (provision) benefit of $(439) and $1,299, respectively	(95,877)	(16.9%)	(10,672)	(1.7%)	(85,205)
Net loss	(472,503)	(83.3%)	(56,503)	(9.0%)	(416,000)
Less: Net loss attributable to non-controlling interest from continuing operations	(3,337)	(0.6%)	(2,037)	(0.3%)	(1,300)
Less: Net loss attributable to non-controlling interest from discontinued operations	(1,193)	(0.2%)	—	0.0%	(1,193)
Net loss attributable to common shareholders	$(467,973)	(82.5%)	$(54,466)	(8.7%)	$(413,507)

Revenue, Net

Revenue, net for the six months ended June 30, 2023 was $567.0 million, a decrease of $57.4 million or 9% from $624.4 million for the six months ended June 30, 2022. The decrease in revenue is due to a $40.9 million decrease in retail revenues and a $16.5 million decrease in wholesale revenues. The Company experienced increased competition and promotional activity in certain markets. The Company operated 183 dispensaries and 165 dispensaries as of June 30, 2023 and June 30, 2022, respectively.

Cost of Goods Sold

Cost of goods sold for the six months ended June 30, 2023 was $275.2 million, an increase of $14.1 million or 5% from $261.2 million for the six months ended June 30, 2022. Cost of goods as a percentage of revenues, net was 48.5% in the current year period compared to 41.8% in the prior year period. The increase was primarily due to inventory reduction efforts to right-size inventory levels, 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. The Company also incurred additional costs related to excess capacity in certain temporarily idled facilities.

Gross Profit

Gross profit for the six months ended June 30, 2023 was $291.8 million, a decrease of $71.5 million or 20% from $363.2 million for the six months ended June 30, 2022. Gross profit as a percentage of revenue, net was 51.5% in the current year period compared to 58.2% in the prior year period driven by increased promotional activity in certain retail markets, price compression in certain markets, a product mix shift to value brands, initiatives to reduce inventory levels and costs related to excess capacity in certain temporarily idled facilities.

Sales and Marketing Expense

Sales and marketing expense for the six months ended June 30, 2023 was 121.8 million, a decrease of 23.5 million or 16% from $145.4 million for the six months ended June 30, 2022. Sales and marketing expense as a percentage of revenues, net was 21.5% in the current year period compared to 23.3% 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. The decrease in sales and marketing expenses was also due to the accrual of $7.3 million in the prior year period related to the Watkins earnout.

General and Administrative Expense

General and administrative expense for the six months ended June 30, 2023 was $74.2 million, an increase of $7.2 million or 11% from $67.0 million for the six months ended June 30, 2022. The increase in general and administrative expense is primarily due to a $19.1 million of legislative campaign contributions to support the Florida adult-use ballot initiative during the current year period, 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 six months ended June 30, 2023 was $55.7 million, a decrease of $1.5 million or 3% from $57.2 million for the six months ended June 30, 2022.

Impairments and Disposals of Long-lived Assets, Net

Impairment and disposal of long-lived assets, net for the six months ended June 30, 2023 was $6.7 million, a decrease of $14.8 million or 69% from $21.5 million for the six months ended June 30, 2022. The impairment expense incurred in the current year was primarily related to asset disposals in our California market while the prior year was due to exited facilities and the repositioning of assets, mainly in our southeast hub.

Impairment of Goodwill

Impairment of goodwill for the six months ended June 30, 2023 was $307.6 million, an increase of $307.6 million from zero for the six months ended June 30, 2022. Based on the results of the Company's goodwill impairment procedures, the Company recorded a $307.6 million goodwill impairment for the single reporting unit during the three months ended June 30, 2023. The Company finds this is not a negative indicator of historic or current operating results and not a negative indicator of future performance as the Company has taken steps to shed underperforming assets while focusing on cash conservation which is reflective in the results of operations as of June 30, 2023. Additionally, the resulting non-cash charge has no impact on the Company’s compliance with debt covenants, its cash flows, or available liquidity.

Other Expense, Net

Other expense, net for the six months ended June 30, 2023 was $32.9 million, an increase of $3.3 million or 11% from $29.7 million for six months ended June 30, 2022. The increase is primarily the result of additional interest expense related to new financings to support the long-term business growth, partially offset by gains related to non-operating assets, interest income on money market funds, and a change in the valuation of the interest rate swap.

Provision for Income Taxes

The provision for income taxes for the six months ended June 30, 2023 was $69.5 million, a decrease of $18.9 million or 21% from $88.4 million for the six months ended June 30, 2022. For the six months ended June 30, 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

Net loss from continuing operations for the six months ended June 30, 2023 was $376.6 million, an increase of $330.8 million from $45.8 million for the six months ended June 30, 2022. The increase in net loss in the current year period was driven primarily by the goodwill impairment charge of $307.6 million, lower gross margin, and an increase of $19.1 million in legislative campaign contributions to support the Florida adult-use ballot initiative. These impacts were partially offset by lower operating expenses driven by the Company’s continued focus on cost savings initiatives, expenses of $7.3 million incurred in the prior year period related to the accrual of the Watkins earnout and a $18.9 million decrease in tax expense.

Net Loss from Discontinued Operations, Net of Tax Benefit

Net loss from discontinued operations, net of tax benefit for the six months ended June 30, 2023 was $95.9 million, an increase of $85.2 million from $10.7 million for the six months ended June 30, 2022. The increase in the current year is primarily attributable to losses from the exit of the Company’s operations in Massachusetts in the second quarter of 2023 including the disposal of long-lived assets of $59.3 million and a loss on divestment of a variable interest entity of $10.0 million. Discontinued operations also include the results of the Nevada operations 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, and income tax payments. 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 $152.4 million as of June 30, 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.

Cash Flows

The condensed consolidated statements of cash flows include continuing operations and discontinued operations for the six months ended June 30, 2023 and 2022. The table below highlights our cash flows for the periods indicated.

	Six Months Ended June 30,	
	2023	**2022**
	(in thousands)	
Net cash used in operating activities	$ (23,062)	$ (10,284)
Net cash used in investing activities	(25,318)	(136,392)
Net cash (used in) provided by financing activities	(9,335)	94,438
Net decrease in cash and cash equivalents	$ (57,715)	$ (52,238)

Cash Flow from Operating Activities

Net cash used in operating activities was $23.1 million for the six months ended June 30, 2023, an increase of $12.8 million as compared to $10.3 million net cash used operating activities during the six months ended June 30, 2022. This is primarily due to additional income tax payments which were deferred from the fourth quarter of 2022, due to Hurricane Ian, and paid in the first quarter of 2023. This was largely offset by the favorable impact of the Company's inventory wind-down initiative. Inventory balances decreased in 2023 driven by targeted efforts to reduce specific product categories and lower third-party product offerings.

Cash Flow from Investing Activities

Net cash used in investing activities was $25.3 million for the six months ended June 30, 2023, a decrease of $111.1 million, compared to the $136.4 million net cash used in investing activities for the six months ended June 30, 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 due to the Company's build out of facilities and automation primarily at our Florida cultivation sites as well as Pennsylvania and West Virginia. 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 $9.3 million for the six months ended June 30, 2023, a decrease of $103.8 million, compared to the $94.4 million net cash provided by financing activities for the six months ended June 30, 2022. The decrease was primarily due to proceeds from debt financing activities in the prior year that did not occur in the current period. The Company received proceeds of $76.4 million from private placement notes which closed in January 2022 and $19.2 million in proceeds from the exercise of warrants during the six months ended June 2022 prior to expiration.

Balance Sheet Exposure

As of June 30, 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, "Part I, Item 1A - Risk Factors" in our 2022 Form 10-K and Part II, Item 1A – Risk Factors in our Q1 Form 10-Q.

Contractual Obligations

As of June 30, 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	$ 9,076	$ 7,337	$ 71,194	$ 16,098	$ 103,705
Private placement notes	130,000	—	425,000	—	555,000
Operating lease liabilities	21,532	43,876	41,767	90,639	197,814
Finance lease liabilities	14,299	27,970	24,528	38,932	105,729
Construction finance liabilities	22,184	46,286	48,966	308,341	425,777
Lease Settlements	1,003	1,140	846	2,434	5,423
Total (1)	$ 198,094	$ 126,609	$ 612,301	$ 456,444	$1,393,448

(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 and six months ended June 30, 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 June 30,		Change Increase / (Decrease)		Six Months Ended June 30,		Change Increase / (Decrease)	
	2023	2022	$	%	2023	2022	$	%
	(in thousands)				*(in thousands)*			
Adjusted EBITDA	$ 78,695	$111,024	$(32,329)	(29)%	$156,768	$215,986	$(59,218)	(27)%

Adjusted EBITDA for the three months ended June 30, 2023 was $78.7 million, a decrease of $32.3 million or 29%, from $111.0 million for the three months ended June 30, 2022. Adjusted EBITDA for the six months ended June 30, 2023 was $156.8 million, a decrease of $59.2 million or 27%, from $216.0 million for the six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Net loss attributable to common shareholders	$ (403,849)	$ (22,491)	$ (467,973)	$ (54,466)
Add (deduct) impact of:				
Interest expense	18,931	18,144	40,091	34,497
Provision for income taxes	34,027	45,242	69,484	88,384
Depreciation and amortization	26,052	29,367	55,666	57,151
Depreciation included in cost of goods sold	15,989	12,576	28,109	21,874
EBITDA	(308,850)	82,838	(274,623)	147,440
Impairment of goodwill	307,590	—	307,590	—
Impairment and disposal of long-lived assets, net	3,310	5,055	6,689	21,516
Legislative campaign contributions	8,550	—	19,062	—
Integration and transition costs	5,698	5,129	7,635	10,397
Share-based compensation and related premiums	475	5,703	2,876	10,267
Other income, net	(1,976)	(1,683)	(6,893)	(2,568)
Change in fair value of derivative liabilities - warrants	—	(1,442)	(252)	(2,262)
Discontinued operations	63,898	5,234	94,684	10,672
Acquisition and transaction costs	—	6,969	—	10,266
Other non-recurring costs	—	3,499	—	9,688
Inventory step up, fair value	—	648	—	1,048
COVID related expenses	—	163	—	588
Results of entities not legally controlled	—	(1,089)	—	(1,066)
Total adjustments	387,545	28,186	431,391	68,546
Adjusted EBITDA	$ 78,695	$ 111,024	$ 156,768	$ 215,986

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 2022 Annual Report on Form 10-K for the year ended December 31, 2022.