THESE FINANCIAL STATEMENTS FOR TRULIEVE CANNABIS CORP.

ARE ALSO INCLUDED IN THE FORM 10-K FOR THE

YEAR ENDED DECEMBER 31, 2023

FILED ON SEDAR ON FEBRUARY 29, 2024 IN ITS ENTIRETY

TRULIEVE CANNABIS CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Financial Statements

Report of Independent Registered Public Accounting Firm (PCAOB ID No. 688)	F-2
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting (PCAOB ID No. 688)	F-5
Consolidated Balance Sheets as of December 31, 2023 and 2022	F-7
Consolidated Statements of Operations for the Years Ended December 31, 2023, 2022 and 2021	F-9
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2023, 2022 and 2021	F-10
Consolidated Statements of Cash Flows for the Years Ended December 31, 2023, 2022 and 2021	F-12
Notes to Consolidated Financial Statements	F-15

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trulieve Cannabis Corp. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 (and our report dated February 29, 2024, expressed an adverse opinion on the effectiveness of the Company’s internal control over financial reporting because of the existence of material weaknesses.

Basis for Opinion

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

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

Critical Audit Matters

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

Valuation of Inventory

As described in Note 7, to the consolidated financial statements, the Company’s consolidated inventory related to cannabis inventory is $213.1 million. As discussed in Note 3, the Company’s inventory consists of raw materials (including cannabis plants and packaging materials), work in process and finished goods and is valued at the lower of cost and net realizable value. Significant inputs and assumptions used in the valuation of inventory (excluding any purchased finished goods) include attrition rates of plants, average yield per plant, cumulative stage of completion in the production process and allocation of cost of goods sold. In addition, the Company records a provision for slow-moving and obsolete inventory, which can involve a high degree of judgment. The Company periodically reviews its inventory and identifies that which is excess, slow moving and obsolete by considering factors such as inventory levels, expected product life and forecasted sales demand.

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

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

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

Evaluation of Impairment

As described in Note 3 to the consolidated financial statements, the Company tests goodwill for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. During the period ended March 31, 2023, the Company performed an interim quantitative impairment test over its single reporting unit due to a sustained decline in its stock price and its impact on the Company's market capitalization. The test was based on a weighted average of the income and market approaches. The income approach estimates the fair value of a reporting unit through a discounted cash flow model which estimates future cash flows and future operating performance, which include projected revenue, long-term growth rates, gross margins, capital expenditures, discount rates and the probability of achieving the estimated cash flows. The market approach incorporates comparable public companies and market multiples. As a result of its impairment test, the Company concluded that its goodwill was not impaired as of March 31, 2023. During the period ended June 30, 2023, because of a continued decline in the Company's stock price, the Company estimated the fair value of its single reporting unit by measuring its market capitalization and a corresponding control premium as a market approach, which was also corroborated by other valuation techniques. The Company concluded that its goodwill was impaired based on its estimate of fair value of its reporting unit being lower than its carrying value and recognized a goodwill impairment charge of $307.6 million as of June 30, 2023.

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. During the period ended March 31, 2023, the Company determined that certain long-lived assets, including intangible assets, in Massachusetts were impaired due to the competitive environment in the Massachusetts cannabis industry. The Company utilized a combination of the market, income, and cost approach for its impairment testing resulting in an impairment of $30.3 million, which consisted of property and equipment and intangible assets, as of March 31, 2023.

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

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

- We obtained an understanding and evaluated the design of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above.

- We compared the Company's projected revenue growth, gross profit margins and EBITDA margins with actual results to assess the Company's ability to accurately forecast.
- We evaluated the Company’s projected revenue growth by comparing the projections to the underlying business strategies and legislative trends to assess the probability of achieving such projections.
- We performed sensitivity analyses over significant assumptions to evaluate the impact of changes in the fair value of the reporting unit.
- With the assistance of our valuation specialists, we assessed the fair value methodologies utilized and tested significant assumptions including, among other items, the weighted average cost of capital and the discount rate.
- With the assistance of our valuation specialists, we evaluated the market approach, including evaluating the reasonableness of the selected market multiples based on guideline public companies.
- In addition, we tested management’s reconciliation of the fair value of the reporting unit to the Company’s market capitalization, including evaluating the comparable public company transactions identified and the implied control premium.
- With the assistance of our valuation specialists, we evaluated the cost approach used by management in evaluating the Massachusetts property, plant, and equipment fair value, including evaluating replacement cost calculations, land valuations, and comparable sales data.

Evaluation of uncertain tax positions

As discussed in Note 3 and Note 18 to the consolidated financial statements, the Company has taken uncertain tax positions based on legal interpretations that challenge its tax liability under Internal Revenue Code Section 280E and inventory costs for tax purposes in its Florida and West Virginia dispensaries. Uncertainty in a tax position may arise because tax laws are subject to interpretation. The Company uses significant judgment to (1) determine whether, based on the technical merits, a tax position is more likely than not to be sustained and (2) measure the amount of tax benefit that qualifies for recognition. As of December 31, 2023, the Company accrued uncertain tax position liabilities of approximately $180.4 million.

Auditing management’s estimate of the amount of tax benefit that qualifies for recognition involved especially challenging auditor judgment because management’s estimate is complex, highly judgmental and based on interpretations of tax laws and legal rulings.

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

- Obtained an understanding and evaluated the design of controls over Management’s accounting process for uncertain tax positions, including the controls over management’s review of the technical merits of its tax positions and the measurement of the amount of tax benefits that qualify for recognition.
- With the assistance of our tax specialists, we assessed the technical merits of the Company’s tax positions, including evaluating income tax interpretations and third-party advice obtained by the Company and the Company’s process of filing tax returns with uncertain tax positions.
- Evaluated the appropriateness of the Company’s accounting for its tax positions taking into consideration relevant federal and state income tax laws.
- Analyzed the Company’s assumptions and data used to determine the amount of tax benefit to recognize and tested the accuracy of the calculations.
- Evaluated the adequacy of the Company’s financial statement disclosures related to these tax matters.

/s/ Marcum LLP

Marcum LLP

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

West Palm Beach, FL
February 29, 2024

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

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

Adverse Opinion on Internal Control over Financial Reporting

We have audited Trulieve Cannabis Corp.'s (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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

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

These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the fiscal December 31, 2023 consolidated financial statements, and this report does not affect our report dated February 29, 2024 on those consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and related notes of the Company, and our report dated February 29, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Marcum LLP

Marcum LLP

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

West Palm Beach, FL
February 29, 2024

TRULIEVE CANNABIS CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	Year ended December 31,	
	2023	**2022**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 201,372	$ 207,185
Restricted cash	6,607	6,607
Accounts receivable, net	6,703	6,507
Inventories	213,120	276,505
Prepaid expenses	17,620	11,031
Other current assets	23,735	51,247
Notes receivable - current portion	6,233	728
Assets associated with discontinued operations	1,958	33,733
Total current assets	477,348	593,543
Property and equipment, net	676,352	743,260
Right of use assets - operating, net	95,910	98,926
Right of use assets - finance, net	58,537	70,495
Intangible assets, net	917,191	984,797
Goodwill	483,905	791,495
Notes receivable, net	7,423	11,992
Other assets	10,379	12,768
Long-term assets associated with discontinued operations	2,010	93,129
TOTAL ASSETS	$ 2,729,055	$ 3,400,405
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 83,162	$ 82,023
Income tax payable	—	49,615
Deferred revenue	1,335	9,459
Notes payable - current portion	3,759	12,453
Operating lease liabilities - current portion	10,068	10,291
Finance lease liabilities - current portion	7,637	8,271
Construction finance liabilities - current portion	1,466	1,189
Contingencies	4,433	34,666
Liabilities associated with discontinued operations	2,989	2,328
Total current liabilities	114,849	210,295
Long-Term Liabilities:		
Notes payable, net	115,855	94,247
Private placement notes, net	363,215	541,664
Operating lease liabilities	92,235	99,851
Finance lease liabilities	61,676	69,948
Construction finance liabilities	136,659	137,144
Deferred tax liabilities	206,964	224,903
Uncertain tax position liabilities	180,350	19,459
Other long-term liabilities	7,086	6,820

Long-term liabilities associated with discontinued operations	41,553	68,370
TOTAL LIABILITIES	1,320,442	1,472,701
Commitments and contingencies (see Note 23)		
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited shares authorized. 186,235,818 and 185,987,512 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively.	—	—
Additional paid-in-capital	2,055,112	2,045,003
Accumulated deficit	(640,639)	(113,843)
Non-controlling interest	(5,860)	(3,456)
TOTAL SHAREHOLDERS' EQUITY	1,408,613	1,927,704
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,729,055	$ 3,400,405

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

TRULIEVE CANNABIS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except for share data)

	For the Years Ended December 31,		
	2023	2022	2021
Revenue	$ 1,129,193	$ 1,218,229	$ 931,934
Cost of goods sold	540,565	529,102	365,360
Gross profit	588,628	689,127	566,574
Expenses:			
Sales and marketing	240,165	277,563	211,905
General and administrative	145,997	169,471	99,456
Depreciation and amortization	109,825	116,381	45,791
Impairment and disposal of long-lived assets, net	6,664	75,547	5,371
Impairment of goodwill	307,590	—	—
Total expenses	810,241	638,962	362,523
(Loss) income from operations	(221,613)	50,165	204,051
Other income (expense):			
Interest expense, net	(81,569)	(73,422)	(29,121)
Interest income	6,164	1,631	205
Gain on debt extinguishment, net	5,937	—	—
Other income, net	6,544	2,388	1,112
Total other expense, net	(62,924)	(69,403)	(27,804)
(Loss) income before provision for income taxes	(284,537)	(19,238)	176,247
Provision for income taxes	151,358	163,380	145,722
Net (loss) income from continuing operations	(435,895)	(182,618)	30,525
Net loss from discontinued operations, net of tax benefit (provision) of $4,101, $12,223, and $(339) respectively	(97,241)	(70,109)	(13,080)
Net (loss) income	(533,136)	(252,727)	17,445
Less: net loss attributable to non-controlling interest from continuing operations	(5,147)	(3,994)	(587)
Less: net loss attributable to non-controlling interest from discontinued operations	(1,193)	(2,669)	—
Net (loss) income attributable to common shareholders	$ (526,796)	$ (246,064)	$ 18,032
Net (loss) income per share - Continuing operations:			
Basic	$ (2.28)	$ (0.95)	$ 0.22
Diluted	$ (2.28)	$ (0.95)	$ 0.21
Net loss per share - Discontinued operations:			
Basic and diluted	$ (0.51)	$ (0.36)	$ (0.09)
Weighted average number of common shares used in computing net (loss) income per common share:			
Basic	188,974,176	187,995,317	139,366,940
Diluted	188,974,176	187,995,317	146,757,286

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

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

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Balance, December 31, 2020	58,182,500	1,439,037	59,952,461	119,573,998	$ 328,214	$ 119,689	$ —	$ 447,903
Share-based compensation	—	—	—	—	9,254	—	—	9,254
Exercise of stock options	—	—	75,716	75,716	352	—	—	352
Shares issued for cash - warrant exercises	—	—	569,533	569,533	7,672	—	—	7,672
Subordinate Voting Shares issued upon cashless warrant exercise	—	—	2,075,987	2,075,987	—	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(39,898)	(39,898)	(1,072)	—	—	(1,072)
Issuance of shares in private placement, net of issuance costs	—	—	5,750,000	5,750,000	217,896	—	—	217,896
Contingent consideration payable in shares	—	—	—	—	(2,800)	—	—	(2,800)
Conversion of Super Voting Shares to Subordinate Voting Shares	(3,021,100)	—	3,021,100	—	—	—	—	—
Conversion of Super Voting Shares to Multiple Voting Shares	(55,161,400)	55,161,400	—	—	—	—	—	—
Conversions of Multiple Voting to Subordinate Voting Shares	—	(4,683,438)	4,683,438	—	—	—	—	—
Adjustment of fair value of equity consideration for PurePenn, LLC	—	—	—	—	2,711	—	—	2,711
Adjustment of fair value of equity consideration for Keystone Relief Centers, LLC	—	—	—	—	1,004	—	—	1,004
Shares issued for Mountaineer Holding, LLC acquisition	—	—	60,342	60,342	2,470	—	—	2,470
Shares issued for Solevo Wellness West Virginia, LLC acquisition	—	—	11,658	11,658	445	—	—	445
Shares issued for Nature's Remedy of Massachusetts, Inc. acquisition	—	—	237,881	237,881	9,139	—	—	9,139
Shares issued for the Patient Centric of Martha's Vineyard Ltd. acquisition	—	—	258,383	258,383	10,012	—	—	10,012
Shares issued for Anna Holdings, LLC acquisition	—	—	1,009,336	1,009,336	35,385	—	—	35,385
Shares issued for Harvest Health & Recreation, Inc. acquisition	—	—	50,921,236	50,921,236	1,387,418	—	2,139	1,389,557
Net income (loss)	—	—	—	—	—	18,032	(587)	17,445
Balance, December 31, 2021	—	51,916,999	128,587,173	180,504,172	$ 2,008,100	$ 137,721	$ 1,552	$ 2,147,373

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Share-based compensation	—	—	—	—	18,124	—	—	18,124
Exercise of stock options	—	—	59,971	59,971	156	—	—	156
Shares issued for cash - warrant exercises	—	—	1,428,262	1,428,262	19,238	—	—	19,238
Subordinate Voting Shares issued under share compensation plans	—	—	179,857	179,857	—	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(47,801)	(47,801)	(615)	—	—	(615)
Conversion of Multiple Voting Shares to Subordinate Voting Shares	—	(25,690,613)	25,690,613	—	—	—	—	—
Shares issued for PurePenn, LLC, Pioneer Leasing & Consulting LLC, and Solevo Wellness West Virginia, LLC earnout	—	—	3,626,295	3,626,295	—	—	—	—
Release of escrow shares	—	—	236,756	236,756	—	—	—	—
Distribution payable for acquisition of variable interest entity	—	—	—	—	—	(5,500)	—	(5,500)
Distribution	—	—	—	—	—	—	(50)	(50)
Divestment of variable interest entity	—	—	—	—	—	—	110	110
Measurement period adjustment - Harvest Health & Recreation, Inc.	—	—	—	—	—	—	1,595	1,595
Net loss	—	—	—	—	—	(246,064)	(6,663)	(252,727)
Balance, December 31, 2022	—	26,226,386	159,761,126	185,987,512	$ 2,045,003	$ (113,843)	$ (3,456)	$ 1,927,704
Share-based compensation	—	—	—	—	10,575	—	—	10,575
Subordinate Voting Shares issued under share compensation plans	—	—	334,611	334,611	—	—	—	—
Tax withholding related to net share settlements of equity awards	—	—	(86,305)	(86,305)	(466)	—	—	(466)
Distribution to variable interest entity	—	—	—	—	—	—	(50)	(50)
Consideration for purchase of variable interest entity	—	—	—	—	1,643	—	—	1,643
Deconsolidation of variable interest entity	—	—	—	—	(1,643)	—	3,862	2,219
Divestment of variable interest entity	—	—	—	—	—	—	124	124
Net loss	—	—	—	—	—	(526,796)	(6,340)	(533,136)
Balance, December 31, 2023	—	26,226,386	160,009,432	186,235,818	$ 2,055,112	$ (640,639)	$ (5,860)	$ 1,408,613

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

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

	For the Years Ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Net (loss) income	$ (533,136)	$ (252,727)	$ 17,445
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	110,820	121,776	48,096
Depreciation included in cost of goods sold	59,837	52,541	24,073
Non-cash interest expense, net	5,443	4,893	3,463
Gain on extinguishment of debt, net	(5,937)	—	—
Impairment and disposal of long-lived assets, net	6,664	75,547	5,371
Impairment of goodwill	307,590	—	—
Amortization of operating lease right of use assets	10,333	11,252	6,051
Accretion of construction finance liabilities	1,281	1,470	1,209
Share-based compensation	10,575	18,124	9,254
Change in fair value of derivative liabilities - warrants	(252)	(2,643)	(208)
Non-cash change in contingencies	(544)	23,017	9,269
Allowance for credit losses	2,750	3,617	—
Deferred income tax expense	(17,173)	(27,174)	(26,262)
Loss from disposal of discontinued operations	69,481	49,130	—
Changes in assets and liabilities:			
Decrease/(increase) in inventories	83,304	(83,430)	(19,573)
Decrease/(increase) in accounts receivable	(1,712)	(4,206)	(4,901)
Decrease/(increase) in prepaid expenses and other current assets	6,751	5,264	(8,080)
Decrease/(increase) in other assets	2,954	2,388	(6,276)
(Decrease)/increase in accounts payable and accrued liabilities	1,635	(819)	(9,659)
(Decrease)/increase in income tax payable	(48,822)	19,756	(12,979)
(Decrease)/increase in other current liabilities	(13,263)	(1,368)	(15,799)
(Decrease)/increase in operating lease liabilities	(9,172)	(10,002)	(4,164)
(Decrease)/increase in deferred revenue	(8,232)	2,370	(4,642)
(Decrease)/increase in uncertain tax position liabilities	160,891	12,794	2,750
(Decrease)/increase in other long-term liabilities	(225)	1,526	(1,540)
Net cash provided by operating activities	201,841	23,096	12,898
Cash flows from investing activities			
Purchases of property and equipment	(40,385)	(164,749)	(275,902)
Purchases of property and equipment related to construction finance liabilities	—	(13,247)	(20,979)
Capitalized interest	148	(4,732)	(9,234)
Acquisitions, net of cash	—	(27,781)	43,453
Divestments	977	2,037	—
Payments made for issuance of note receivable	(750)	—	(4,000)
Capitalized internal use software	(10,615)	(9,214)	(3,716)
Cash paid for licenses	(4,640)	(1,855)	—
Proceeds from sales of long-lived assets	5,027	739	55,034
Proceeds received from notes receivable	903	1,472	160
Proceeds from sale of held for sale assets	11,865	2,273	—

	For the Years Ended December 31,		
	2023	2022	2021
Net cash used in investing activities	(37,470)	(215,057)	(215,184)
Cash flows from financing activities			
Proceeds from notes payable, net of discounts	24,718	90,541	342,586
Proceeds from private placement notes, net of discounts	—	75,635	6,032
Proceeds from shares issued pursuant to private placement notes, net of issuance costs	—	—	217,896
Proceeds from equity exercises	—	19,394	8,024
Proceeds from construction finance liabilities	—	7,047	13,250
Payments on notes payable	(11,780)	(2,928)	(280,788)
Payments on private placement notes	(177,595)	(1,874)	—
Payments on finance lease obligations	(7,588)	(7,361)	(4,434)
Payments on construction finance liabilities	(2,050)	(1,161)	—
Payments for debt issuance costs	(774)	(832)	(251)
Payments on notes payable - related party	—	—	(12,011)
Payments for taxes related to net share settlement of equity awards	(466)	(615)	(1,072)
Distributions	(50)	(50)	—
Net cash (used in) provided by financing activities	(175,585)	177,796	289,232
Net (decrease) increase in cash, cash equivalents, and restricted	(11,214)	(14,165)	86,946
Cash, cash equivalents, and restricted cash, beginning of period	213,792	229,644	146,713
Cash and cash equivalents of discontinued operations, beginning of period	5,702	4,015	—
Less: cash and cash equivalents of discontinued operations, end of period	(301)	(5,702)	(4,015)
Cash, cash equivalents, and restricted cash, end of period	$ 207,979	$ 213,792	$ 229,644

The consolidated statements of cash flows include continuing operations and discontinued operations for the years ended December 31, 2023, 2022, and 2021.

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

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

	For the Years Ended December 31,		
Supplemental disclosure of cash flow information	**2023**	**2022**	**2021**
Cash paid for			
Interest	$ 81,209	$ 76,142	$ 39,075
Income taxes, net of refunds	52,644	146,672	178,657
Noncash investing and financing activities			
ASC 842 lease additions - operating and finance leases	$ 14,323	$ 41,141	$ 61,195
Reclassification of assets to held for sale	18,408	—	—
Purchases of property and equipment in accounts payable and accrued liabilities	2,778	3,924	17,861
Noncash partial extinguishment of construction finance liability	18,486	—	—
Acquisition fair value adjustments	—	1,595	3,964
Acquisition of variable interest entity with note payable	—	5,500	—
Value of shares issued for acquisitions	—	—	1,447,973
Value of shares reserved for PurePenn, LLC and Solevo Wellness West Virginia, LLC acquisitions	—	—	(2,800)
Purchase of PP&E through exchange of ROU asset	—	3,355	—
Derecognition of ROU asset	—	(3,355)	—
ASC 842 lease terminations	—	—	1,035

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

	For the Years Ended December 31,		
	2023	**2022**	**2021**
Beginning of year:			
Cash and cash equivalents (1)	$ 207,185	$ 226,631	$ 146,713
Restricted cash	6,607	3,013	—
Cash, cash equivalents and restricted cash (1)	$ 213,792	$ 229,644	$ 146,713
End of year:			
Cash and cash equivalents (2)	$ 201,372	$ 207,185	$ 226,631
Restricted cash	6,607	6,607	3,013
Cash, cash equivalents and restricted cash (2)	$ 207,979	$ 213,792	$ 229,644

(1) Excludes cash associated with discontinued operations for the years ended December 31, 2023, 2022, and 2021 of \$5.7 million, \$4.0 million, and zero, respectively.

(2) Excludes cash associated with discontinued operations for the years ended December 31, 2023, 2022, and 2021 of \$0.3 million, \$5.7 million, and \$4.0 million, respectively.

TRULIEVE CANNABIS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS

Trulieve Cannabis Corp. together with its subsidiaries (“Trulieve", the “Company”) was incorporated in British Columbia, Canada. Trulieve is a vertically integrated cannabis company which, as of December 31, 2023, held and operated under licenses in Florida, Connecticut, Pennsylvania, West Virginia, Arizona, Colorado, Maryland, Ohio, and Georgia, to cultivate, produce, distribute, and sell medicinal-use cannabis products, and with respect to Arizona, Colorado, Connecticut and Maryland, adult-use cannabis products. The Company's operations are substantially located in Florida and to a lesser extent Arizona and Pennsylvania.

In addition to the States listed above, the Company also conducts activities in other markets. In these markets, the Company has either applied for licenses, plans on applying for licenses, or partners with other entities, but does not currently directly own any cultivation, production, or retail licenses. Further, the Company also holds licenses in states in which it is no longer currently operating due to discontinuing operations and other strategic reasons.

The Company’s principal address is located in Quincy, Florida. The Company’s registered office is located in British Columbia.

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

Regulatory compliance

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

NOTE 2. BASIS OF PRESENTATION

Principles of consolidation

The accompanying consolidated financial statements for the years ended December 31, 2023, 2022, and 2021 include the financial position and operations of Trulieve Cannabis Corp. and its subsidiaries. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the assets, liabilities, revenue, and expenses of all consolidated subsidiaries and variable interest entities for which the Company has determined it is the primary beneficiary. Outside shareholders' interests in subsidiaries are shown on the consolidated financial statements as non-controlling interests. Intercompany balances and transactions are eliminated in consolidation.

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

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

Discontinued Operations

In June 2023, the Company exited operations in Massachusetts and in July 2022, the Company discontinued its Nevada operations. Both actions represented a strategic shift in business; therefore, the related assets and liabilities associated with the discontinued operations are classified as discontinued operations on the consolidated balance sheets and the results of the discontinued operations have been presented as discontinued operations within the consolidated statements of operations for all periods presented. Unless specifically noted otherwise, footnote disclosures only reflect the results of continuing operations. The results of discontinued operations are presented in *Note 19. Discontinued Operations*.

Basis of Measurement

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

Functional Currency

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

Reclassifications

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. They are held by or with financial institutions pursuant to contractual arrangements.

Accounts Receivable and Notes Receivable

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and notes receivable. The Company's cash and cash equivalents, primarily consisted of bank deposits, cash on hand, and money market funds, Concentrations of credit risk with respect to our cash and cash equivalents are limited primarily to amounts held with financial institutions in excess of federally insured limits.

The Company reviews its notes receivable regularly and reduces amounts to their expected realizable values by adjusting the allowance for credit losses when management determines that the account may not be fully collectable. The Company applies ASC 326 Financial Instruments – Credit Losses for the measurement of expected credit losses, which uses an expected loss allowance model for notes receivables. The Company has adopted standardized credit policies and performs assessments in an effort to minimize those risks.

Inventory

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

Costs incurred during the growing and production process are capitalized as incurred to the extent that accumulated cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the growing and production processes. Fixed costs associated with abnormal production volume are expensed as incurred.

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

Property and Equipment

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

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

The Company capitalizes interest on debt financing invested in projects under construction. Upon the asset becoming available for use, capitalized interest costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset. Construction in progress is transferred when available for use and depreciation of the assets commences at that point.

Held for Sale

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

Leases

The Company enters into leases in the normal course of business, primarily for retail space, production facilities, corporate offices, and equipment used in the production and sale of its products. Lease terms for real estate generally range from five to ten years. Most leases include options to renew for varying terms at the Company's sole discretion. Other leased assets include passenger vehicles, trucks, and equipment. Lease terms for these assets generally range from three to five years. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company made an accounting policy election not to recognize right-of-use assets and lease liabilities for leases with a lease term of 12 months or less. Instead lease payments for these leases are recognized as lease expense on a straight-line basis over the lease term.

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

Lease agreements for some locations provide for rent escalations and renewal options. Certain real estate leases require payment for taxes, insurance and maintenance which are considered non-lease components. The Company accounts for real estate leases and the related fixed non-lease components together as a single component. The Company has lease agreements that contain both lease and non-lease components. For lease agreements entered into or reassessed after the adoption of Accounting Standard's Codification 842, Leases, the Company elected to combine lease and non-lease components for all classes of assets.

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

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

Certain lease arrangements contain provisions requiring the Company to remove lessee installed leasehold improvements at the expiration of the lease. As this obligation is a direct result of the Company's decision to install leasehold improvements and does not arise solely because of the lease the Company excludes these obligations from lease payments and variable lease payments. The Company records these obligations as asset retirement obligations. The fair value of these obligations are recorded as liabilities on a discounted basis, which occurs as of lease commencement. In the estimation of fair value, the Company uses assumptions and judgements for an asset retirement obligation. The costs associated with these liabilities are capitalized with the associated leasehold improvement and depreciated over the lease term with the liabilities accreted over the same period.

Failed sales-leasebacks (Construction financial liabilities)

When the Company enters into sale-leaseback transactions, an assessment is performed to determine whether a contract exists and whether there is a performance obligation to transfer control of the asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If control is not transferred based on the nature of the transaction, and therefore does not meet the requirements for a sale under the sale-leaseback accounting model, the Company is deemed to own this real estate and reflects these properties on our consolidated balance sheets in property and equipment, net and depreciates them over the assets' useful lives. The liabilities associated with these leases are recorded to construction finance liabilities - current portion and construction finance liabilities on the consolidated balance sheets.

Intangible Assets

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

Internal Use Software

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

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

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

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following as of December 31:

	2023	2022
	(in thousands)	
Trade accounts payable	$ 28,245	$ 15,857
Nontrade accrued liabilities [(1)]	23,829	34,662
Accrued compensation and benefits	18,113	19,451
Non income taxes payable	7,061	5,747
Other	5,914	6,306
Total accounts payable and accrued liabilities	$ 83,162	$ 82,023

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

Financial Instruments

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

Derivative Financial Instruments

The Company utilizes interest rate swaps for the sole purpose of mitigating interest rate fluctuation risk associated with floating rate debt instruments. The Company does not use any other derivative financial instruments for trading or speculative purposes. In accordance with ASC 815, *Derivatives and Hedging*, derivative financial instruments are recognized as assets or liabilities on the consolidated balance sheets at fair value. The Company has not designated its interest rate swap ("Swap") contracts as hedges for accounting treatment. Pursuant to U.S. GAAP, income or loss from fair value changes for derivatives that are not designated as hedges are reflected as income or loss within interest expense on the consolidated statements of operations and a corresponding asset or liability is recognized on the consolidated balance sheets based on the fair value position as of each reporting date.

Warrants

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

Earnings per share

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

In computing diluted earnings per share, common share equivalents are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive. See *Note 17. Earnings Per Share*.

Revenue Recognition

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

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

Revenue from retail sales of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has accepted and paid for the goods. Revenue from the wholesale of cannabis to customers is recognized upon delivery to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. See *Note 22. Revenue Disaggregation.*

Deferred Revenue

For most of its locations, the Company offers a loyalty reward program to its dispensary customers that allows customers to earn reward credits to be used on future purchases. Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are recorded as reductions to revenue on the consolidated statements of operations and included as deferred revenue on the consolidated balance sheets. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. The loyalty reward points expire at the end of a six month period.

During the first quarter of 2023, the Company terminated the loyalty program associated with dispensaries acquired with the October 2021 acquisition of Harvest Health & Recreation, Inc. ("Harvest"). As a result of the termination of the loyalty program at certain dispensaries, the Company recorded a reduction in the accrual of $4.7 million in revenue on the consolidated statements of operations. The remaining reduction in deferred revenue during the year ended December 31, 2023 was primarily due to increased breakage in our remaining loyalty programs.

Cost of Goods Sold

Costs of goods sold include the costs directly attributable to the production of inventory and amounts incurred in the cultivation and manufacturing process of finished goods, such as flower, concentrates, and edibles, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes depreciation and amortization, allocations of rent, administrative salaries, utilities, and related costs.

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.

The IRS has taken the position that cannabis companies are subject to the limits of IRC Section 280E under which they are only allowed to deduct expenses directly related to costs of goods sold. The Company has taken a position that it does not owe taxes attributable to the application of Section 280E of the Internal Revenue Code.

The Company recognizes benefits from uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. An uncertain tax position is not recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within provision for income taxes within the consolidated statements of operations.

Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expenses on the accompanying consolidated statements of operations and totaled $12.1 million, $8.2 million, and $7.5 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Share Based Compensation

Stock Options

Share-based payment awards are based on the estimated fair value of the awards using the Black-Scholes option pricing model and the related expense is recognized using the graded-vesting method over the award term. The Company estimates expected volatility using the historical volatility of the Company. In cases where there is insufficient trading history, the expected volatility is estimated using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding and is computed using the simplified method as the Company has insufficient historical information regarding its stock options to provide a basis for an estimate. The risk-free rate was based on the United States bond yield rate at the time of grant of the award. The expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future. The Company has elected to account for forfeitures as they occur.

Restricted Stock Units

Restricted stock units ("RSUs") represent a right to receive a single Subordinate Voting Share that is both non-transferable and forfeitable unless and until certain conditions are satisfied. RSUs generally vest ratably over a two-to-three-year period subject to continued employment through each anniversary. The fair value of the Company's RSUs are determined based on the stock price on the date of grant and the related expense is recognized using the graded-vesting method over the award term.

Business combinations and goodwill

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

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

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

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

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

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

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

Non-controlling Interest

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

Impairment of long-lived assets

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

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

During the first quarter of 2023, the Company determined that certain long-lived assets, including intangible assets, in Massachusetts were impaired due to the competitive environment in the Massachusetts cannabis industry. The Company utilized a cost approach for its impairment testing of intangibles and property and equipment resulting in an impairment of $30.3 million recorded on the consolidated statements of operations, of which $27.6 million was for discontinued operations and recorded in net loss from discontinued operations, net of tax benefit, and $2.7 million was for continuing operations and recorded in impairment and disposal of long-lived assets, net. The cost approach is based on market comparable data for replacement, adjusted for local variations, inflation, and other factors.

During the remaining nine-month period for the year ended December 31, 2023, the Company did not identify any events or changes in circumstances providing indication of impairment.

Impairment of goodwill

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

- Macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets;
- Industry and market considerations such as a deterioration in the environment in which the company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the company's products or services, or a regulatory or political development;
- Cost factors such as increases in inventory, labor, or other costs that have a negative effect on earnings and cash flows;
- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;
- Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers, contemplation of bankruptcy, or litigation;
- Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more likely than not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit; and
- A sustained decrease in share price (considered in both absolute terms and relative to peers).

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

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

During the three months ended June 30, 2023, the Company identified one event included in the list above as a risk indicator for goodwill impairment, which was a decline in the Company's share price negatively affecting the Company's market capitalization. The Company concluded the decline in stock price was a triggering event to perform an interim quantitative goodwill impairment test, as of June 30, 2023, specific to the stock price decline and resulting market capitalization of the Company. As the sole risk to the value of goodwill was the stock price, the Company concluded it most appropriate to apply a market approach. The results of the Company's interim test for impairment as of June 30, 2023, utilizing a market approach, indicated that the reporting unit's fair value fell below the carrying value. Based on the results of the goodwill impairment procedures, the Company recorded a $307.6 million goodwill impairment for the single reporting unit in the second quarter of 2023.

When the Company employs the market approach in its goodwill impairment testing, the Company estimates the fair value based upon multiples of comparable public companies. Significant estimates in the market approach include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment, as well as assessing comparable market multiples in estimating the fair value of the reporting unit.

For the Company's 2023 annual impairment test, the Company performed a Step Zero assessment reviewing the factors listed above, including but not limited to historical results, business plans, forecasts, market data, and a reasonable control premium.

Other than the event that existed and was isolated to the three months ending June 30, 2023 as outlined above, as of December 31, 2023, the Company did not identify any events or changes in circumstances that would indicate the carrying amount of goodwill may be impaired. The Company did not identify any impairment of its goodwill during the years ended December 31, 2022 or 2021.

Discontinued Operations

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

Critical Accounting Estimates and Judgments

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

Recently Issued Accounting Pronouncements

Recent accounting pronouncements, other than those below, issued by the FASB did not or are not believed by management to have a material effect on the Company's present or future financial statements or disclosures.

ASU 2023-07 In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280)*. This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is also permitted. This ASU will result in additional required disclosures when adopted, where applicable.

ASU 2023-09 In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. Once adopted, this ASU will result in additional disclosures.

NOTE 4. ACQUISITIONS

(a) Formula 420 Cannabis LLC

On December 22, 2022, the Company acquired 100% of the membership interests of Formula 420 Cannabis LLC ("Formula 420") the holder of an Arizona adult-use license that became operational in October 2022. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Formula 420 did not meet the definition of a business as substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset. The Company had previously consolidated the entity as a VIE as it was determined the Company exercised control of the entity and was the primary beneficiary although it previously owned no equity interests due to a master service agreement. In accordance with Topic 810, *Consolidation*, the Company accounted for the change in a consolidated subsidiaries ownership interest as an equity transaction. Therefore, the total consideration was determined to be $5.5 million which consisted of a note payable. See *Note 11. Notes Payable* for further details. Nominal transaction costs were incurred in relation to this acquisition.

(b) Greenhouse Wellness WV Dispensaries, LLC

On April 26, 2022, the Company acquired 100% of the membership interests of Greenhouse Wellness WV Dispensaries, LLC ("Greenhouse WV"), the holder of a West Virginia dispensary permit and a lease for a not yet operating dispensary location. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Greenhouse WV did not meet the definition of a business as Greenhouse WV did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the transaction has been accounted for as an asset acquisition whereby all of the assets acquired and liabilities assumed are assigned a carrying amount based on relative fair values. Total consideration was $0.3 million consisting of cash.

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

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

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

(c) Watkins Cultivation Operation

On February 14, 2022, the Company acquired a cultivation operation from CP4 Group, LLC, in Phoenix, Arizona ("Watkins Cultivation Operation" or "Watkins"). The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Watkins met the definition of a business as Watkins is an existing cultivation facility with inputs, processes, and outputs in place that constitute a business under Topic 805. As a result, the acquisition of Watkins has been accounted for as a business combination. Goodwill represents the amount the Company paid over the fair value of the net identifiable tangible assets acquired. The primary reason for the acquisition was to expand the Company's cultivation capacity in Arizona. The goodwill of $24.5 million arising from the acquisition primarily consists of the economies of scale expected from a vertical cannabis market in Arizona. Total consideration was $27.5 million paid in cash. An additional $22.5 million was paid into escrow for four potential earnouts. The earnouts were based on the completion of certain milestones and contingent on the continued employment of the key employee shareholders ("Key Employees") of Watkins. As the earnouts were contingent on the continued employment of the Key Employees, any amounts earned are compensation for post-combination services.

The Company accrues the compensation cost for each earnout as it becomes probable and estimable and over the most probable period of continued employment required for the specific earnouts. During the year ended December 31, 2022, the Company concluded that attainment of any of the four potential earnouts was no longer probable or estimable and reversed all existing accruals.

The Company incurred $0.2 million of transaction costs related to the acquisition of Watkins. These costs were expensed as incurred and included in general and administrative expenses on the consolidated statements of operations for the quarter ended March 31, 2022. No additional transaction costs have been incurred.

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

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

(d) Purplemed Healing Center

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

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

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

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

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

(e) Harvest Health & Recreation Inc.

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

Harvest was one of the largest multi-state vertically integrated operators in the cannabis industry in the United States operating from “seed to sale". Harvest operated facilities or provides services to cannabis dispensaries in Arizona, California, Colorado, Florida, Maryland, Nevada, and Pennsylvania, with two provisional licenses in Massachusetts. In addition, Harvest owned CO_2 extraction, distillation, purification, and manufacturing technology used to produce a line of cannabis topicals, vapes, and gems featuring cannabinoids.

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

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

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

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

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

The above table includes the discontinued operations of Nevada.

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

On acquisition date there was consideration in the form of 1,266,641 stock options (as converted) that had been issued before the acquisition date to employees and non-employees of Harvest. The pre-combination fair value of these awards is $6.2 million. There was consideration in the form of 1,011,095 warrants (1,009,416 equity classified Subordinate Voting Shares ("SVS") warrants and 1,679 liability classified Multiple Voting Share ("MVS") warrants, as converted) that had been issued before the acquisition date to employees and non-employees of Harvest. The pre-combination fair value of these awards is $7.7 million with $4.6 million representing the equity classified warrants and $3.1 million representing the liability classified warrants. There was consideration in the form of restricted stock units that had been issued before the acquisition date to non-employees of Harvest which vested for services performed pre-combination representing 18,297 SVS. The pre-combination fair value of these awards is $0.5 million. There was additional consideration in the form of other outstanding equity instruments issued before the acquisition date to non-employees which had a pre-combination fair value of $7.1 million.

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

Supplemental pro forma information (unaudited)

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

Proforma revenues and proforma net loss attributable to common shareholders for the year ended December 31, 2021 were $1,232.2 million and $8.0 million, respectively.

Unaudited pro forma net income reflects the adjustment of sales between the companies, and adjustments for alignment of significant differences in accounting principles and elections. The above unaudited supplemental pro formas include the results of operations which have subsequently been discontinued.

(f) Anna Holdings, LLC

On July 8, 2021, the Company acquired 100% of the membership interests of Anna Holdings, LLC, the sole member of Chamounix Ventures, LLC which holds a permit to operate dispensaries under Keystone Shops (“Keystone Shops”) with locations in Philadelphia, Devon, and King of Prussia, Pennsylvania. Total consideration was $55.6 million consisting of $20.3 million in cash, inclusive of net working capital adjustments, and 1,009,336 in Trulieve Shares with a fair value of $35.4 million. The agreement provides for an additional $5.0 million in consideration which is contingent on the enactment, adoption or approval of laws allowing for adult-use cannabis in Pennsylvania. No liability was recorded for this contingent consideration, as the estimated value of the liability was not significant at the time of acquisition or as of December 31, 2023 based on the likelihood of approval of laws allowing for adult-use cannabis in Pennsylvania. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, *Business Combinations*. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development.

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

Consideration:	*(in thousands)*
Cash	$ 20,251
Shares issued upon acquisition	35,385
Fair value of consideration exchanged	$ 55,636
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 500
Prepaid expenses and other current assets	240
Inventories	1,766
Property and equipment	1,144
Right of use asset - finance	1,340
Intangible assets:	
Dispensary license	27,000
Tradename	100
Favorable leasehold interests	86
Goodwill	39,703
Other assets	40
Accounts payable and accrued liabilities	(878)
Income tax payable	(2,892)
Operating lease liabilities	(1,340)
Other long-term liabilities	(2,179)
Deferred tax liabilities	(8,994)
Total net assets acquired	$ 55,636

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

(g) Nature's Remedy of Massachusetts, Inc.

On June 30, 2021, the Company completed an asset purchase agreement whereby Trulieve acquired a licensed, but not yet operating, adult-use dispensary location from Nature’s Remedy of Massachusetts, Inc. (“Nature’s Remedy”). The Company analyzed the acquisition under ASU 2017-01, *Business Combinations* (Topic 805): Clarifying the *Definition of a Business*, determining Nature’s Remedy did not meet the definition of a business as Nature’s Remedy did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the acquisition of Nature’s Remedy has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are assigned a carrying amount based on relative fair values. Total consideration was $16.2 million consisting of $7.0 million in cash and 237,881 in Trulieve Shares with a fair value of $9.1 million and less than $0.1 million in transaction costs.

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

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

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

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

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

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

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

(i) Solevo Wellness West Virginia, LLC

On June 8, 2021, the Company acquired 100% of the membership interests of Solevo Wellness West Virginia, LLC ("Solevo WV") which holds three West Virginia dispensary licenses. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining Solevo WV did not meet the definition of a business as substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset. Therefore, the transaction has been accounted for as an asset acquisition. Total consideration was $0.8 million consisting of $0.2 million in cash, 11,658 in Trulieve Shares with a fair value of $0.4 million, $0.1 million in debt forgiveness and less than $0.1 million in transaction costs. The consideration of $0.8 million was allocated to acquired assets of $0.8 million, which are treated as definite-lived intangible assets amortized over a 15-year useful life.

(j) Mountaineer Holding, LLC

On May 6, 2021, the Company acquired 100% of the membership interests of Mountaineer Holding LLC ("Mountaineer") which holds a cultivation permit and two dispensary permits in West Virginia. The Company analyzed the acquisition under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* determining Mountaineer did not meet the definition of a business as substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset. Therefore, the transaction has been accounted for as an asset acquisition. Total consideration was $5.5 million, consisting of $3.0 million in cash and 60,342 in Trulieve Shares with a fair value of $2.5 million. The consideration of $5.5 million has been allocated to the $5.5 million of acquired assets which are treated as definite-lived intangible assets and amortized over a 15-year useful life.

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable, net consisted of the following as of December 31:

	2023	2022
	(in thousands)	
Trade receivables	$ 10,420	$ 8,482
Less: allowance for credit losses	(3,717)	(1,975)
Accounts receivable, net	$ 6,703	$ 6,507

NOTE 6. NOTES RECEIVABLE

The Company's notes receivable, net totaled $13.7 million and $12.7 million as of December 31, 2023 and 2022, respectively, which are reported as notes receivable - current portion and notes receivable, net on the Company's consolidated balance sheets. The notes receivable are secured by certain assets. The weighted average effective interest rates were 8.05% and 8.31% as of December 31, 2023 and 2022, respectively.

During the years ended December 31, 2023, 2022, and 2021, the Company recorded interest income of $1.2 million, $1.3 million, and $0.2 million, respectively, in interest income on the consolidated statements of operations. The Company had accrued interest receivable of $0.1 million and $0.1 million as of December 31, 2023 and 2022, respectively, in other current assets on the consolidated balance sheets.

Stated maturities of the notes receivable, net are as follows as of December 31, 2023:

Year Ending December 31,	**Expected principal payments**
	(in thousands)
2024	$ 6,233
2025	6,943
2026	75
2027	75
2028	75
Thereafter	300
Total notes receivable	13,701
Less: discount on notes receivable	(45)
Less: current portion of notes receivable	(6,233)
Notes receivable, net	$ 7,423

NOTE 7. INVENTORIES

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

	2023	**2022**
	(in thousands)	
Raw material		
Cannabis plants	$ 21,429	$ 21,523
Packaging and supplies	36,472	49,650
Total raw material	57,901	71,173
Work in process	104,428	158,448
Finished goods - unmedicated	6,516	7,323
Finished goods - medicated	44,275	39,561
Total inventories	$ 213,120	$ 276,505

During the years ended December 31, 2023, 2022, and 2021, the Company recorded adjustments to the valuation of inventory of $4.4 million, $6.3 million, and $0.8 million, respectively, which are recorded to cost of goods sold within the consolidated statements of operations.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following as of December 31:

	2023	2022
	(in thousands)	
Land	$ 26,699	$ 38,485
Buildings and improvements	528,173	497,493
Furniture and equipment	292,128	277,164
Vehicles	814	839
Construction in progress	28,023	55,145
Total property and equipment, gross	875,837	869,126
Less: accumulated depreciation	(199,485)	(125,866)
Total property and equipment, net	$ 676,352	$ 743,260

The Company incurred the following related to property and equipment for the year ended December 31:

	Location on the consolidated statements of operations	2023	2022	2021
			(in thousands)	
Capitalized interest	Interest expense	$ (148)	$ 4,728	$ 9,231
Depreciation expense	Cost of goods sold	55,114	44,383	19,924
Depreciation expense	Depreciation and amortization	21,004	26,216	11,944
Loss on impairment	Impairments and disposals of long-lived assets, net	$ 2,712	$ 1,294	$ —
Loss on disposal	Impairments and disposals of long-lived assets, net	5,320	54,509	1,732
Gain on sale	Impairments and disposals of long-lived assets, net	(251)	(654)	—

NOTE 9. INTANGIBLE ASSETS & GOODWILL

Intangibles

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

	2023			2022		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
			(in thousands)			
Licenses	$ 1,046,544	$ 159,084	$ 887,460	$ 1,044,161	$ 89,367	$ 954,794
Trademarks	27,430	17,609	9,821	27,430	12,530	14,900
Internal use software	26,947	7,520	19,427	16,528	3,065	13,463
Tradenames	4,861	4,461	400	4,862	3,506	1,356
Customer relationships	3,535	3,452	83	3,536	3,252	284
Total	$ 1,109,317	$ 192,126	$ 917,191	$ 1,096,517	$ 111,720	$ 984,797

Amortization expense was $80.4 million, $81.7 million, and $27.7 million for the years ended December 31, 2023, 2022, and 2021, respectively.

The Company recorded a gain on sale of intangible assets of $3.0 million, which is recorded to impairment and disposal of long-lived assets, net on the consolidated statements of operations for the year ended December 31, 2023.

The following table outlines the estimated future annual amortization expense related to intangible assets as of December 31, 2023:

Year Ending December 31,	**Estimated amortization**
	(in thousands)
2024	$ 81,597
2025	78,197
2026	75,213
2027	72,712
2028	69,056
Thereafter	540,416
Total	$ 917,191

As of December 31, 2023, the weighted average amortization period remaining on our intangible assets was 12.4 years.

Goodwill

Goodwill consisted of the following:

	(in thousands)
As of December 31, 2021	$ 765,358
Acquisition of Watkins Cultivation Operations	24,542
Measurement period adjustment of Harvest Health and Recreation, Inc.	1,595
As of December 31, 2022	$ 791,495
Impairment June 2023 (1)	(307,590)
As of December 31, 2023	$ 483,905

(1) See *Note 3. Summary Of Significant Accounting Policies* for further details.

NOTE 10. HELD FOR SALE

Held for sale assets primarily consist of property and equipment and are recorded in other current assets on the consolidated balance sheets. The following table shows the activity of the Company's assets held for sale:

		(in thousands)
Held for sale assets, net as of December 31, 2022	$	14,521
Assets moved to held for sale		18,694
Non-cash settlement		(2,481)
Impairments		(2,810)
Assets sold		(12,344)
Held for sale assets, net as of December 31, 2023	$	15,580
Held for sale liabilities as of December 31, 2022	$	—
Liabilities moved to held for sale		(1,997)
Liabilities settled associated with held for sale assets		1,997
Held for sale liabilities as of December 31, 2023	$	—

During the years ended December 31, 2023, 2022, and 2021, the Company recorded a loss on the impairment and disposal of held for sale assets of $3.8 million, $8.6 million, and zero, respectively, which is recorded to impairment and disposal of long-lived assets, net on the consolidated statements of operations.

NOTE 11. NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	2023	2022	Stated Interest Rate	Effective Interest Rate	Maturity Date	Net Book Value of Collateral
	(in thousands)					
Mortgage Notes Payable						
Notes dated December 21, 2022 (1)	$ 70,046	$ 71,500	7.53% (7)	7.86%	1/1/2028	$166,932
Notes dated December 22, 2023 (2)	25,000	—	8.31% (7)	8.48%	12/31/2028	59,677
Notes dated December 22, 2022 (3)	18,470	18,900	7.30% (7)	7.38%	12/22/2032	9,017
Notes dated October 1, 2021 (4)	5,645	6,095	8.14% (7)	8.29%	10/1/2027	11,860
Total mortgage notes payable	119,161	96,495				
Promissory Notes Payable						
Notes dated December 22, 2022 (5)	—	5,500	10.00% (7)	10.00%	12/22/2023	
Notes acquired in Harvest Acquisition in October 2021 (6)	1,707	5,338	(6) (7)	(6)	(6)	
Note of consolidated variable-interest entity dated February 1, 2022	885	1,200	8.00% (7)	8.00%	12/31/2025	
Total promissory notes payable	2,592	12,038				
Total notes payable	121,753	108,533				
Less: debt discount	(2,139)	(1,833)				
Less: current portion of notes payable	(3,759)	(12,453)				
Notes payable, net	$ 115,855	$ 94,247				

(1) In connection with the closing of these four notes, the Company entered into an interest rate swap to fix the interest rate at 7.53% for the term of the notes. See *Note 24. Financial Instruments* for further details. These promissory notes contain customary restrictive covenants pertaining to our management and operations, including, among other things, limitations on the amount of debt that may be incurred and the ability to pledge assets, among other things, as well as financial covenant requirements, that the Company comply with certain indebtedness to consolidated EBITDA (as defined) requirements, debt service coverage ratio, and liquidity covenant test. The covenants commenced on September 30, 2023 with semi-annual measurement, except for certain covenants which were measured starting as of December 31, 2022. In May 2023, the Company amended the terms of the agreement with respect to the covenant requirements, excluding balloon payments from certain covenant calculations.

(2) This mortgage note payable contains customary restrictive covenants pertaining to our management and operations, including, among other things, limitations on the amount of debt that may be incurred and the ability to pledge assets, among other things, as well as financial covenant requirements, that the Company comply with certain indebtedness to consolidated EBITDA (as defined) requirements, debt service coverage ratio, and liquidity covenant test. The covenants commence on June 30, 2024 with quarterly or semi-annual measurement, except for certain covenants which were measured starting as of December 31, 2023.

(3) This mortgage note payable bears stated interest rate until December 21, 2027 and thereafter, interest will accrue at a rate equal to the five-year treasury rate in effect as of December 12, 2027 plus 3.50%. The promissory note contains customary restrictive covenants pertaining to our operations, including, among other things, limitations on the amount of debt and subsidiary debt that may be incurred and the ability to pledge assets, as well as financial covenant requirements, among other things, that the Company comply with certain indebtedness to consolidated EBITDA (as defined) requirements, covenant to liquidity and debt principal test, and a global debt service coverage ratio.

(4) On November 15, 2022, the Company closed on the refinancing of our mortgage notes payable dated October 1, 2021 to extend the maturity date by five years and fix the interest rate at 8.14%. In the first quarter of 2023, the Company reclassified the collateralized assets to held for sale as part of its continued efforts to optimize assets and resources in the markets the Company serves. The Company expects to sell the assets, which primarily consist of property and equipment, within the near-term.

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

(6) Seven promissory notes were acquired during the year ending December 31, 2021. Interest rates range from 0.00% to 7.50%, with a weighted average interest rate of 6.60% as of December 31, 2023. Maturity dates range from October 4, 2024 to October 24, 2026.

(7) Interest payments are due monthly.

Interest expense incurred on notes payable is recorded to interest expense, net on the consolidated statements of operations. Interest expense was $8.4 million, $1.0 million, and $1.9 million for the years ended December 31, 2023, 2022, and 2021, respectively, and included accretion expense of $0.3 million, $0.1 million, and $0.1 million, for the years ended December 31, 2023, 2022, and 2021, respectively.

The Company's notes payable described above are subordinated to the private placement notes. See *Note 12. Private Placement Notes* for further details.

As of December 31, 2023, stated maturities of notes payables are as follows:

Year Ending December 31,	*(in thousands)*
2024	$ 3,751
2025	4,331
2026	4,655
2027	70,034
2028	23,199
Thereafter	15,783
Total	$ 121,753

NOTE 12. PRIVATE PLACEMENT NOTES

June and November Notes

In 2019, the Company completed two private placement notes (the “June Notes" and the “November Notes”), each comprised of 5-year senior secured promissory notes with a face value of $70.0 million and $60.0 million, respectively. The purchasers of the June Notes received warrants to purchase 1,470,000 Subordinate Voting Shares at a price of $13.47 ("June Warrants") and the purchasers of the November Notes received warrants to purchase 1,560,000 Subordinate Voting Shares at a price of $980 per Unit, with each unit consisting of one Note issued in Denominations of $1,000 and 26 warrants ("November Warrants"), which can be exercised for approximately three years after closing (collectively the "Public Warrants"). The remaining outstanding Public Warrants expired in June 2022.

On December 1, 2023, the Company completed an early redemption of our private placement notes, both of the "June Notes" and the "November Notes", with a cash payment of $130.0 million, excluding accrued interest, which represented a redemption price of 100% of the principal amounts outstanding for both "Notes". The Company recorded a loss on extinguishment of $2.4 million representing the difference between the reacquisition price and the net carrying amount of the debt as of extinguishment.

2026 Notes

On October 6, 2021, the Company closed its private placement of 8% Senior Secured Notes (the "2026 Notes - Tranche One") for aggregate gross proceeds of $350.0 million and net proceeds of $342.6 million. The Company used a portion of the net proceeds to repay certain outstanding acquired indebtedness and used the remaining net proceeds for capital expenditures and other general corporate purposes. On January 28, 2022, the Company closed on a second tranche private placement of 8% Senior Secured Notes (the "2026 Notes - Tranche Two") for aggregate gross proceeds of $76.9 million and net proceeds of $75.6 million. The Company used the net proceeds for capital expenditures and other general corporate purposes. The notes may be redeemed in whole or in part, at the Company's option, at any time, on or after October 6, 2023, at the applicable redemption price. These notes are collectively referred to as the "2026 Notes".

During the third quarter of 2023, the Company made an open market repurchase of its private placement notes, "2026 Notes - Tranche One", that resulted in the extinguishment of $57.0 million in principal at a discount of 16.5%. Cash consideration paid to repurchase the principal amount outstanding, excluding accrued interest, totaled $47.6 million, and the Company recognized a gain of $8.2 million on the extinguishment of debt.

Private placement notes payable consisted of the following as of December 31:

	2023	2022	Stated Interest Rate	Effective Interest Rate	Maturity Date
	(in thousands)				
2026 Notes - Tranche One	$ 293,000	$ 350,000	8.00%	8.52%	10/6/2026
2026 Notes - Tranche Two	75,000	75,000	8.00%	8.43%	10/6/2026
June Notes	—	70,000	9.75%	13.32%	6/11/2024
November Notes	—	60,000	9.75%	13.43%	6/11/2024
Total private placement notes	368,000	555,000			
Less: Unamortized debt discount and issuance costs	(4,785)	(13,336)			
Less: current portion of private placement notes, net	—	—			
Private placement notes, net	$ 363,215	$ 541,664			

The fair value of the private placement notes was $310.5 million as of December 31, 2023.

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

Interest expense incurred on private placement notes is recorded to interest expense, net on the consolidated statements of operations. Interest expense was $49.7 million, $52.0 million, and $22.2 million for the years ended December 31, 2023, 2022, and 2021, respectively, and included accretion expense of $5.3 million, $5.2 million, and $3.5 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Stated maturities of the principal portion of private placement notes outstanding as of December 31, 2023 are as follows:

Year	(in thousands)
2026	368,000
Total private placement notes	$ 368,000

NOTE 13. LEASES

The following table provides the components of lease cost for the year ended December 31:

	Location on the consolidated statements of operations	2023	2022	2021
			(in thousands)	
Operating lease cost	Cost of goods sold, sales and marketing, general and administrative	$ 20,291	$ 20,428	$ 10,754
Finance lease cost:				
Amortization of lease assets	Cost of goods sold, Deprecation and amortization	10,357	10,935	7,638
Interest on lease liabilities	Interest expense	6,449	6,549	4,385
Finance lease cost		16,806	17,484	12,023
Variable lease cost	Cost of goods sold, sales and marketing, general and administrative	9,766	7,887	6,013
Short term lease expense	Cost of goods sold, sales and marketing, general and administrative	406	751	334
Total lease cost (1)		$ 47,269	$ 46,550	$ 29,124

(1) Total lease cost recorded in cost of goods sold on the consolidated statements of operations was $3.2 million, $4.0 million, and $3.6 million for the years ended December 31, 2023, 2022, and 2021, respectively.

During the years ended December 31, 2023, 2022, and 2021, the Company earned a nominal amount of sublease income which is recorded in other income, net on the consolidated statements of operations.

Other information related to operating and finance leases is as follows as of December 31:

	2023	2022
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 19,283	$ 21,092
Operating cash flows from finance leases	$ 6,483	$ 6,542
Financing cash flows from finance leases	$ 7,213	$ 7,042
ASC 842 lease additions and modifications		
Operating leases	$ 14,016	$ 19,920
Finance leases	$ 1,021	$ 25,909
Weighted average discount rate:		
Operating leases	8.33 %	9.29 %
Finance leases	8.99 %	8.66 %
Weighted average remaining lease term (in years):		
Operating leases	6.95	8.32
Finance leases	7.22	7.79

Future minimum lease payments under non-cancellable leases as of December 31, 2023 are as follows:

	Operating leases	Finance leases
	(in thousands)	
2024	$ 19,713	$ 13,635
2025	19,651	13,492
2026	18,872	12,915
2027	18,232	12,047
2028	17,399	11,439
Thereafter	58,317	33,412
Total undiscounted lease liabilities	152,184	96,940
Less: Interest	(49,881)	(27,627)
Total present value of minimum lease payments	102,303	69,313
Lease liabilities - current portion	(10,068)	(7,637)
Lease liabilities	$ 92,235	$ 61,676

The Company recorded a loss on disposal of right of use assets of $5.7 million, $17.8 million, and nominal for the years ended December 31, 2023, 2022 and 2021, respectively, resulting from the repositioning of assets, which was recorded in impairment and disposal of long-lived assets, net on the consolidated statements of operations.

Lease Guarantees

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

During the year ended December 31, 2023, the Company terminated a retail lease resulting in the Company being relieved of its primary obligation under this lease. As a result of the lease termination, a new tenant executed a new lease for the same property with the Company becoming secondarily liable. Nonperformance by the new tenant results in the Company becoming obligated to fulfill the lease conditions. The new lease has a term of approximately 6 years from December 31, 2023 with the Company serving as guarantor for an approximate term of 6 years. If the new tenant defaults on the lease obligations the Company becomes responsible for payment. The resulting maximum exposure includes $5.4 million of undiscounted future minimum lease payments plus potential additional payments to satisfy maintenance, taxes, and insurance requirements under the remaining 6 years the Company is guarantor.

During the year ended December 31, 2023, the Company determined it was no longer the primary beneficiary of one of its variable interest entities. The Company guarantees two cannabis dispensary leases of the variable interest entity. Under both leases, nonperformance by the tenant results in the Company becoming obligated to fulfill the lease conditions. The leases have a term of approximately 7 and 8 years as of December 31, 2023, with the resulting maximum exposure estimated to be $5.5 million which includes $2.4 million and $3.1 million of undiscounted future minimum lease payments plus potential additional payments to satisfy maintenance, taxes, and insurance requirements under the remaining terms the Company is guarantor, respectively.

During the year ended December 31, 2022, the Company terminated a cultivation lease resulting in the Company being relieved of its primary obligation under this lease. As a result of the lease termination, a new tenant executed a new lease for the same property with the Company becoming secondarily liable. Nonperformance by the new tenant results in the Company becoming obligated to fulfill the lease conditions. The new lease has a term of approximately 14 years from December 31, 2023 with the Company serving as guarantor for an approximate term of 10 years. If the new tenant defaults on the lease obligations the Company becomes responsible for payment. The resulting maximum exposure includes $11.7 million of undiscounted future minimum lease payments plus potential additional payments to satisfy maintenance, taxes, and insurance requirements under the remaining 10 years the Company is guarantor.

NOTE 14. CONSTRUCTION FINANCE LIABILITIES

As of December 31, 2023 and 2022, total construction finance liabilities were $138.1 million and $138.4 million, respectively. The contractual terms range from 10.0 years to 25.0 years with a weighted average remaining lease term of 16.8 years.

The Company recorded interest and accretion expense for the years ended December 31, 2023, 2022, and 2021 of $16.4 million, $15.9 million, and $7.8 million, respectively, which is included in interest expense, net on the consolidated statements of operations.

Future minimum lease payments for the construction finance liabilities as of December 31, 2023 are as follows:

Year Ending December 31,	*(in thousands)*
2024	$ 17,043
2025	17,521
2026	18,013
2027	18,519
2028	19,039
Thereafter	283,385
Total future payments	373,520
Less: Interest	(235,395)
Total present value of minimum payments	138,125
Construction finance liabilities - current portion	(1,466)
Construction finance liabilities	$ 136,659

NOTE 15. SHARE CAPITAL

The authorized share capital of the Company is comprised of the following:

(i) Unlimited number of Subordinate Voting Shares

Holders of the Subordinate Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting holders of Subordinate Voting Shares shall be entitled to one vote in respect of each Subordinate Voting Share held. Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares and Super Voting Shares.

(ii) Unlimited number of Multiple Voting Shares

Holders of Multiple Voting shares are entitled to notice of and to attend any meetings of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company have the right to vote. At each such meeting, holders of Multiple Voting Shares are entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could ultimately then be converted (initially, 100 votes per Multiple Voting Share). The initial “Conversation Ratio” for Multiple Voting Shares is 100 Subordinate Voting shares for each Multiple Voting Share, subject to adjustment in certain events. Holders of Multiple Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, pari passu (on an as converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the Conversion Ratio) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares.

No dividend may be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Super Voting Shares.

The Company's subordinate voting shares and multiple voting shares, as converted, are collectively referred to herein as common stock.

(iii) Unlimited number of Super Voting Shares

Holders of Super Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Super Voting Shares are entitled to two votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (initially, 200 votes per Super Voting Share). Holders of Super Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, pari passu (on an as converted to Subordinate Voting Share basis) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend is to be declared or paid on the Super Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Multiple Voting Shares. The initial "Conversion Ratio" for the Super Voting Shares is one Multiple Voting Share for each Super Voting Share, subject to adjustment in certain events. There were no Super Voting Shares outstanding as of December 31, 2023 or 2022.

NOTE 16. SHARE BASED COMPENSATION

Equity Incentive Plans

The Company's 2021 Omnibus Incentive Plan, as Amended and Restated, (the "2021 Plan") was adopted at the annual meeting of shareholders. The 2021 Plan reserves 14,000,000 Subordinate Voting Shares for issuance thereunder and replaced the Schyan Exploration Inc. Stock Option Plan (the "Prior Plan"). Awards previously granted under the Prior Plan remain subject to the terms of the Prior Plan. No further grants of awards shall be made under the Prior Plan. The Prior Plan is administered by the Board of Directors of the Company and the 2021 Plan is administered by the Compensation Committee of the Board of Directors.

Options

On July 25, 2023, under the 2021 Plan, the Board awarded options to purchase shares to board members, officers, and certain management employees of the Company. The options granted to board members immediately vested and all other options granted to employees vest over a three-year period.

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

In determining the amount of share-based compensation related to options issued, the Company used the Black-Scholes pricing model to establish the fair value of the options granted with the following assumptions for the year-to-date periods ended December 31:

	2023	2022	2021
Fair value at grant date	\$1.83 - \$2.00	\$8.39 - \$11.01	\$1.44 - \$14.13
Expected term (in years)	3.30 - 3.97	3.5 - 4.5	3.20 - 6.20
Expected volatility	60.07% - 60.85%	51.81% - 52.87%	49.64% - 56.04%
Expected annual rate of dividends	0%	0%	0%
Risk free annual interest rate	4.34% - 4.53%	1.20% - 1.79%	0.16% - 1.15%

The following table summarizes the Company's stock option activity for the year ended December 31, 2023:

	Number of options		Weighted average exercise price	Weighted average remaining contractual life (Yrs.)		Aggregate intrinsic value
Outstanding options, beginning of year	3,177,815	$	25.96			
Granted	1,754,817		3.99			
Forfeited	(735,574)		20.48			
Outstanding options, end of year	4,197,058	$	17.73	4.91	$	—
Vested and Exercisable options, end of year	3,248,599	$	21.34	3.87	$	—

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

Statements of operations		2023		2022		2021
				(in thousands)		
Cost of goods sold	$	66	$	172	$	662
General and administrative		3,344		8,157		5,722
Sales and marketing		59		243		1,089
Total share-based compensation expense	$	3,469	$	8,572	$	7,473

As of December 31, 2023, there was approximately $2.0 million of unrecognized compensation cost related to unvested stock option arrangements which is expected to be recognized over a weighted average service period of 0.78 years.

Restricted Stock Units

Restricted stock units ("RSUs") represent a right to receive a single Subordinate Voting Share that is both non-transferable and forfeitable unless and until certain conditions are satisfied. RSUs generally vest ratably over a two-to-three-year period subject to continued employment through each anniversary.

On July 25, 2023, the Board awarded RSUs to board members, officers, and certain management employees of the Company. The RSUs vest over a 30-day period for board members and all other RSUs granted vest over a two-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period.

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

The following table summarizes the Company's RSU activity for the year ended December 31, 2023:

Restricted Stock Unit Activity	Number of restricted stock units		Weighted-average grant date fair value
Unvested balance, beginning of year	720,707	$	22.36
Granted	2,955,177		3.99
Vested	(415,115)		23.06
Forfeited	(574,553)		6.03
Unvested balance, end of year	2,686,216	$	5.47

The weighted-average grant date fair value of RSUs granted was $21.51 and $25.45 for the years ended December 31, 2022, and 2021, respectively. The fair value of RSUs vested was $2.1 million, $1.6 million and $73.4 million for the years ended December 31, 2023, 2022, and 2021, respectively.

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

Statements of operations	**2023**	**2022**	**2021**
		(in thousands)	
Cost of goods sold	$ 744	$ 900	$ 306
General and administrative	5,754	8,190	1,239
Sales and marketing	608	462	236
Total share based compensation expense	$ 7,106	$ 9,552	$ 1,781

As of December 31, 2023, there was approximately $9.0 million of total unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average service period of 0.81 years.

NOTE 17. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share as of December 31:

	2023	**2022**	**2021**
Numerator:	*(in thousands, except for per share data)*		
Continuing Operations			
Net (loss) income from continuing operations	$ (435,895)	$ (182,618)	$ 30,525
Less: net loss attributable to non-controlling interest	(5,147)	(3,994)	(587)
Net (loss) income from continuing operations available to common shareholders of Trulieve Cannabis Corp.	$ (430,748)	$ (178,624)	$ 31,112
Discontinued Operations			
Net loss from discontinued operations	$ (97,241)	$ (70,109)	$ (13,080)
Less: net loss attributable to non-controlling interest	(1,193)	(2,669)	—
Net loss from discontinued operations excluding non-controlling interest	$ (96,048)	$ (67,440)	$ (13,080)
Denominator:			
Weighted average number of common shares outstanding	188,974,176	187,995,317	139,366,940
Dilutive effect of securities outstanding	—	—	7,390,346
Diluted weighted average number of common shares outstanding	188,974,176	187,995,317	146,757,286
Loss per share - Continuing Operations			
Basic loss per share	$ (2.28)	$ (0.95)	$ 0.22
Diluted loss per share	$ (2.28)	$ (0.95)	$ 0.21
Loss per share - Discontinued Operations			
Basic and diluted loss per share	$ (0.51)	$ (0.36)	$ (0.09)

Shares which have been excluded from diluted per share amounts because their effect would have been anti-dilutive are as follows as of December 31:

	2023	2022	2021
Stock options	4,197,058	3,177,815	1,694,424
Restricted share units	2,686,216	720,707	—
Warrants	9,496	177,391	409,811

As of December 31, 2023, there were approximately 186.2 million issued and outstanding shares which excludes approximately 2.9 million fully vested RSUs which are not contractually issuable until 2024 and approximately 0.1 million fully vested RSUs which are not contractually issuable until the earlier of triggering event, as defined, or December 1, 2030.

NOTE 18. INCOME TAXES

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

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

	2023	2022	2021
		(in thousands)	
Current:			
Federal	$ 121,722	$ 141,582	$ 141,684
State	46,808	38,633	29,677
Total current tax expense	$ 168,530	$ 180,215	$ 171,361
Deferred:			
Federal	$ (17,855)	$ (17,814)	$ (21,414)
State	(1,088)	793	(4,421)
Foreign	(1,191)	(1,461)	—
Total deferred tax expense	$ (20,134)	$ (18,482)	$ (25,835)
Change in valuation allowance	2,962	1,647	196
Total income tax expense	$ 151,358	$ 163,380	$ 145,722

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

	2023	2022	2021
		(in thousands)	
(Loss) income before income taxes	$ (284,537)	$ (19,238)	$ 176,247
Federal statutory rate	21.0 %	21.0 %	21.0 %
Theoretical tax (benefit) provision	$ (59,753)	$ (4,040)	$ 37,012
Effects of tax rates in foreign jurisdictions	$ 15	$ 16	$ —
State taxes	835	14,598	25,580
Changes in state tax rates	5,772	4,763	(912)
Uncertain tax position, inclusive of interest and penalties	130,481	146,702	77,783
Change in valuation allowance	2,962	1,647	196
Other	881	(4,793)	(1,000)
Tax effect of non-deductible expenses:			
IRC Section 280E disallowance	—	—	6,798
Goodwill impairment	64,594	—	—
Stock compensation	1,170	169	95
Political contributions	4,401	4,318	170
Total non-deductible expenses	$ 70,165	$ 4,487	$ 7,063
Total income tax provision	$ 151,358	$ 163,380	$ 145,722
Effective tax rates	(53.2)%	(849.3)%	82.7 %

As of December 31, 2023 and December 31, 2022 the Company accrued interest and penalties on uncertain tax liabilities of $6.4 million and $3.5 million, respectively on the consolidated balance sheets.

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

	2023	2022
	(in thousands)	
Deferred tax assets:		
Lease liabilities	$ 2,623	$ 3,094
Finance liabilities	27,695	27,386
Net operating losses	10,098	6,596
Inventory reserves	4,667	1,665
Other deferred tax assets	759	1,421
Total deferred tax assets:	$ 45,842	$ 40,162
Deferred tax liabilities:		
Right of use assets	$ (2,356)	$ (3,112)
Intangible assets	(221,743)	(236,353)
Property and equipment	(19,150)	(19,004)
Total deferred tax liabilities:	$ (243,249)	$ (258,469)
Valuation allowance	(9,557)	(6,596)
Net deferred tax liability	$ (206,964)	$ (224,903)

The IRS has taken the position that cannabis companies are subject to the limits of Internal Revenue Code ("IRC") Section 280E for U.S. federal income tax purposes, a position also held by state income tax regulators for all states in which the Company operates, planned to operate, or has discontinued operations, except for Arizona, California, Colorado, Connecticut, Maryland, Massachusetts, and New Jersey. Under the IRS's interpretation of IRC Section 280E, cannabis companies are only allowed to deduct expenses directly and indirectly related to the production of inventory. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

As of December 31, 2023 and December 31, 2022, the Company recorded an uncertain tax liability on the consolidated balance sheets for tax positions taken related to our inventory costs for tax purposes in our Florida and West Virginia dispensaries. During the year ended December 31, 2023, the Company also recorded an uncertain tax liability in uncertain tax positions on the consolidated balance sheets for tax positions taken based on legal interpretations that challenge the Company's tax liability under IRC Section 280E ("280E Position").

The Company believes it is reasonably possible that the unrecognized tax benefits will increase over the next 12 months as a result of receiving additional refunds related to the 280E Position. In January 2024, the Company received $50.3 million in refunds which will increase the unrecognized tax benefits by this amount. The Company is not able to reasonably estimate any additional increase.

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

	2023	2022
	(in thousands)	
Balance, January 1	$ 41,781	$ 44,850
Reductions based on lapse of statute of limitations	(1,053)	(4,228)
Additions based on tax positions related to the current year	152,313	—
Additions based on refunds requested but not received related to prior year	111,664	—
Additions based on refunds received related to prior years	62,391	—
Additions based on tax positions related to the prior year	175,666	1,159
Balance, December 31	$ 542,762	41,781

A reconciliation of the beginning and ending amount of uncertain tax liabilities:

	2023	2022
	(in thousands)	
Balance, January 1	$ 19,459	$ 6,665
Reductions based on lapse of statute of limitations	(1,053)	(4,228)
Additions based on tax positions related to the current year	139,914	2,017
Additions based on tax positions related to the prior year	113,815	12,887
Additions based on refunds received related to prior years	62,391	—
Reclass tax payment on account	(157,063)	—
Interest recorded in income tax expense, net of reversals (1)	3,150	(247)
Penalties recorded in income tax expense, net of reversals (1)	(263)	2,365
Balance, December 31 (2)	$ 180,350	$ 19,459

(1) Amounts represent the interest and penalties recorded on uncertain tax positions during the respective years which are recorded to the income tax provision on the consolidated statements of operations. Interest and penalties for the year ended December 31, 2021 was nominal.

(2) Of the $180.4 million of uncertain tax liabilities recorded as of December 31, 2023 in the table above, $152.1 million relate to our 280E Position.

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the net operating loss carryforwards that may expire prior to their utilization has been recorded as of December 31, 2023.

As of December 31, 2023, the Company had $11.2 million of non-capital Canadian losses which expire from 2039 to 2043, $342.4 million of state net operating losses which expire from 2031 to 2043, $92.6 million of state net operating losses which have an indefinite carryforward period, and $219.0 million of U.S. federal net operating losses which have an indefinite carryforward period. The Company determined a valuation allowance was applicable to $11.2 million of non-capital Canadian losses and $100.3 million of state net operating losses. The Company also determined that it is more likely than not that the benefit from $209.0 million of U.S. federal net operating losses and $319.5 million of state net operating losses will not be realized and therefore this amount has not been recorded.

With few exceptions, as of December 31, 2023, the Company is no longer subject to examination by tax authorities for years before 2020.

NOTE 19. DISCONTINUED OPERATIONS

Discontinued operations consist of our Massachusetts and Nevada operations. The assets and liabilities associated with discontinued operations consisted of the following as of December 31:

	2023	2022
	(in thousands)	
Assets associated with discontinued operations		
Cash	$ 301	$ 5,702
Accounts receivable, net	841	2,936
Inventories	—	21,310
Income tax receivable	—	2,299
Prepaid expenses	816	1,475
Other current assets	—	11
Deferred tax asset	—	766
Property and equipment, net	—	53,687
Right of use assets - operating, net	—	2,453
Right of use assets - finance, net	—	5,736
Intangible assets, net	—	27,849
Other assets	2,010	2,638
Total assets associated with discontinued operations	$ 3,968	$ 126,862
Liabilities associated with discontinued operations		
Accounts payable and accrued liabilities	$ 530	$ 1,617
Deferred revenue	—	109
Operating lease liabilities - current portion	165	146
Finance lease liabilities - current portion	291	456
Construction finance liability - current portion	2,003	—
Operating lease liabilities	15,332	17,108
Finance lease liabilities	2,048	5,890
Construction finance liability	24,167	45,217
Other long-term liabilities	6	155
Total liabilities associated with discontinued operations	$ 44,542	$ 70,698

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

	2023	2022	2021
		(in thousands)	
Revenue	$ 10,590	$ 24,634	$ 6,451
Cost of goods sold	29,843	37,897	6,895
Gross margin	(19,253)	(13,263)	(444)
Expenses:			
Operating expenses	7,522	13,821	6,661
Impairment and disposal of long-lived assets, net	69,480	49,130	—
Total Expenses	77,002	62,951	6,661
Loss from operations	(96,255)	(76,214)	(7,105)
Other (expense) income:			
Other expense, net	(5,087)	(6,118)	(5,636)
Total other expense, net	(5,087)	(6,118)	(5,636)
Loss before provision for income taxes	(101,342)	(82,332)	(12,741)
Income tax (benefit) provision	(4,101)	(12,223)	339
Net loss from discontinued operations, net of taxes	(97,241)	(70,109)	(13,080)
Less: net loss attributable to non-controlling interest from discontinued operations	(1,193)	(2,669)	—
Net loss from discontinued operations excluding non-controlling interest	$ (96,048)	$ (67,440)	$ (13,080)

Other expense, net primarily consists of interest expense on the construction finance liability and operating lease liabilities associated with our discontinued operations.

The consolidated statements of cash flows includes continuing operations and discontinued operations. The following table summarizes the depreciation of long-lived assets, amortization of long-lived assets, loss on impairment of long-lived assets, and capital expenditures of discontinued operations for the years ended December 31:

	2023	2022	2021
		(in thousands)	
Depreciation and amortization	$ 3,798	$ 10,787	$ 5,228
Purchases of property and equipment	67	844	57,479
Loss on impairment and disposal of long-lived assets	69,480	49,130	69
Other noncash investing and financing activities			
Noncash partial extinguishment of construction finance liability	$ 18,486	$ —	$ —

As a result of our exit from the Massachusetts market during the second quarter of 2023, the Company performed a lease term reassessment for the Holyoke failed sale-leaseback financing arrangement due to lease renewals previously included in the lease term being excluded as of the Massachusetts exit. The Company concluded the failed sale-leaseback accounting conclusion is maintained. The Company recognized a gain on partial extinguishment of $18.5 million as a result of the lease term reassessment, which was recorded to net loss from discontinued operations, net of taxes.

Future minimum lease payments for the construction finance liability associated with discontinued operations as of December 31, 2023, are as follows:

Year Ending December 31,	(in thousands)
2024	$ 5,455
2025	5,619
2026	5,788
2027	5,961
2028	6,140
Thereafter	12,287
Total future payments	41,250
Less: Interest	(15,080)
Total present value of minimum payments	26,170
Construction finance liabilities - current portion	(2,003)
Construction finance liabilities	$ 24,167

During the year ended December 31, 2022, the Company exited Nevada and recorded a loss on disposal of operating right of use assets of $14.0 million, which was recorded in net loss from discontinued operations on the consolidated statements of operations.

Future minimum lease payments under non-cancellable leases associated with discontinued operations as of December 31, 2023 are as follows:

	Operating leases	Finance leases
	(in thousands)	
2024	$ 1,739	$ 494
2025	1,798	509
2026	1,859	476
2027	1,922	377
2028	1,979	389
Thereafter	23,503	835
Total undiscounted lease liabilities	32,800	3,080
Less: Interest	(17,303)	(741)
Total present value of minimum lease payments	15,497	2,339
Lease liabilities - current portion	165	291
Lease liabilities	$ 15,332	$ 2,048

NOTE 20. VARIABLE INTEREST ENTITIES

The Company has entered into operating agreements with various entities related to the purchase and operation of cannabis dispensary, cultivation, and production licenses, in several states in which it determined to be variable interest entities. The Company determined certain of these entities to be variable interest entities in which it is the primary beneficiary and holds ownership interests in these entities ranging from 46% to 95% either directly or through a proxy as of December 31, 2023. The Company's VIEs are not material to the consolidated financial position or operations as of or for the years ended December 31, 2023, 2022, or 2021.

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

During the first quarter of 2023, the Company paid $0.4 million in cash and $1.7 million in subordinate voting shares earned but not yet issued, based on the completion of certain milestones required as part of the acquisition of one of the Company's consolidated variable interest entities. The Company previously paid $0.8 million in cash for certain milestones. As part of the Company's decision to exit the Massachusetts market in the second quarter of 2023, it ceased its relationship with this variable interest entity. This terminated the payment of the $1.7 million subordinate voting shares earned but not yet issued. Based on the changes in circumstances, the Company reevaluated the variable interest entity, concluding it was no longer the primary beneficiary and as such, deconsolidated the entity in the second quarter of 2023. The Company deconsolidated total assets of $10.6 million and liabilities of $4.8 million and recorded a loss of $10.0 million related to the termination of the acquisition and deconsolidation of the variable interest entity which is included in net loss from discontinued operations on the consolidated statements of operations for the year ended December 31, 2023.

In addition to the above, during the second quarter of 2023, the Company sold and divested of certain variable interest entities. The Company received cash proceeds of $1.8 million related to the sale and recorded a loss on divestment of $0.8 million which is included in impairments and disposals of long-lived assets, net on the consolidated statements of operations. The activity for the remainder of the year ended December 31, 2023 was nominal.

During the year ended December 31, 2022, the Company divested of its minority ownership interest in two of its VIEs and received cash of $2.0 million and recorded an insignificant loss on the divestments which were recorded in impairment and disposal of long-lived assets, net, in the consolidated statements of operations for the year ended December 31, 2022.

The Company no longer consolidates these VIEs since it is no longer considered the primary beneficiary.

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

	2023	2022
	(in thousands)	
Current assets:		
Cash	$ 9,491	$ 7,349
Accounts receivable, net	1,308	597
Inventories	8,341	7,590
Prepaid expenses	423	46
Other current assets	7	—
Total current assets	19,570	15,582
Property and equipment, net	28,068	25,994
Right of use asset - operating, net	2,744	—
Right of use asset - finance, net	259	224
Intangible assets, net	17,162	17,947
Other assets	140	344
Total assets	$ 67,943	$ 60,091
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,939	$ 3,713
Income tax payable	2,017	1,615
Deferred revenue	2	6
Operating lease liability - current portion	63	—
Finance lease liability - current portion	60	41
Total current liabilities	4,081	5,375
Notes payable	885	1,200
Operating lease liability	2,926	—
Finance lease liability	210	185
Deferred tax liabilities	3,638	4,101
Other long-term liabilities	671	625
Total liabilities	$ 12,411	$ 11,486

NOTE 21. RELATED PARTIES

The Company previously raised funds by issuing notes to various related parties including directors, officers, and shareholders. The remaining related party notes were paid off in full in November 2021. The Company incurred interest expense on the related party debt during the year ended December 31, 2021 totaling $1.1 million.

During the year ended December 31, 2023, the Company entered into an agreement to rent a piece of equipment from an entity that is directly owned in part by the Company's Chief Executive Officer and Chair of the board of directors. The expense recognized was nominal for the year ended December 31, 2023.

The Company leases a cultivation facility and corporate office facility from an entity that is directly or indirectly owned by the Company's Chief Executive Officer and Chair of the board of directors, a former member of the Company's board of directors, and a member of the Company's board of directors.

The Company had the following related party operating leases on the consolidated balance sheets, under ASC 842, as of December 31:

	2023	2022
	(in thousands)	
Right-of-use assets, net	$ 706	$ 820
Lease liabilities:		
Lease liabilities - current portion	$ 127	$ 113
Lease liabilities	624	751
Total related party lease liabilities	$ 751	$ 864

Lease expense recognized on related party leases was $0.2 million, $0.2 million, and $2.7 million for the years ended December 31, 2023, 2022, and 2021, respectively.

NOTE 22. REVENUE DISAGGREGATION

Revenue is comprised of the following for the year ended December 31:

	2023	2022	2021
		(in thousands)	
Retail	$ 1,083,545	$ 1,158,475	$ 869,707
Wholesale	43,390	55,087	61,137
Licensing and other	2,258	4,667	1,090
Total Revenue	$ 1,129,193	$ 1,218,229	$ 931,934

NOTE 23. COMMITMENTS AND CONTINGENCIES

Operating Licenses

Although the possession, cultivation and distribution of cannabis for medical use is permitted in the states in which the Company operates, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company’s inability to proceed with our business plans. In addition, the Company’s assets, including real property, inventory, cash and cash equivalents, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Except as disclosed below, as of December 31, 2023, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company’s consolidated statements of operations. There are also no proceedings in which any of the Company’s directors, officers or affiliates is an adverse party or has a material interest adverse to the Company’s interest.

In connection with the Watkins acquisition, during the second quarter of 2023, escrow of $22.5 million was released related to the settlement of previous litigation which was previously recorded to other current assets, of which $17.0 million was paid in cash and $5.5 million was released to the Company.

Contingencies

The Company records contingent liabilities with respect to litigation on various claims in which it believes a loss is probable and can be estimated. As of December 31, 2023, and 2022, $4.2 million and $31.7 million, respectively, was included in contingent liabilities on the consolidated balance sheets related to pending litigation. The Company also recorded accruals related to sales tax audits or inquiries which were acquired through the Harvest acquisition. As of December 31, 2023 and 2022, $0.2 million and $3.0 million, respectively, was included in contingent liabilities on the consolidated balance sheets for estimates related to various sales tax matters.

NOTE 24. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

Level 1 – Observable inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices in active markets, which are observable for the asset or liability, either directly or indirectly; and

Level 3 – Unobservable inputs for which there is little or no market data requiring the Company to develop its own assumptions.

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

	2023				2022			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	(in thousands)							
Financial Assets (1):								
Money market funds (2)	$145,995	$ —	$ —	$145,995	$ 340	$ —	$ —	$ 340
Financial Liabilities:								
Interest rate swap (3)	$ —	$ 2,341	$ —	$ 2,341	$ —	$ 2,536	$ —	$ 2,536
Warrant liabilities (4)	—	—	—	—	—	252	—	252

(1) There were no transfers between hierarchy levels during the years ended December 31, 2023 and 2022.

(2) Money market funds are included within cash and cash equivalents on the Company’s consolidated balance sheets. As short-term, highly liquid investments readily convertible to known amounts of cash, the Company’s money market funds have carrying values that approximate fair value. Interest income is recorded to interest income on the consolidated statements of operations. The Company recorded interest income of $4.8 million in relation to these money market funds for the year ended December 31, 2023. Interest income for the year ended December 31, 2022 was nominal.

(3) The VNB Swap is carried at fair value which is based on a valuation model that utilizes interest rate yield curves and credit spreads observable in active markets as the significant inputs to the model. The Company considers credit risk associated with its own standing as well as the credit standing of any counterparties involved in the valuation of its financial instruments. The fair value of the interest rate swap liability is recorded in other long-term liabilities on the consolidated balance sheets.

(4) The total fair value and carrying value of the Company's liability warrants is recorded to warrant liabilities on the consolidated balance sheets. All remaining liability warrants expired in the second quarter of 2023. See *Note 15. Share Capital* for additional considerations.

The Company's Private Placement Notes are recorded at carrying value. The fair value of the Private Placement Notes as of December 31, 2023 was $310.5 million which was determined using Level 1 inputs of the fair value hierarchy. See Note 12. Private Placement Notes for further details.

Derivative Financial Instruments

In the fourth quarter of 2022, the Company entered into an interest rate swap contract ("VNB Swap") for the purpose of hedging the variability of interest expense and interest payments on the Company's long-term variable rate debt. The notional value was $70.0 million and $71.5 million as of December 31, 2023 and December 31, 2022, respectively. The VNB Swap was entered into in conjunction with four promissory term notes of a total corresponding amount. The four promissory term notes were priced at the Secured Overnight Financing Rate ("SOFR"), as defined in the agreement plus 3.00%, per annum. The VNB Swap fixed the four term loans at 7.53% per annum until maturity on January 1, 2028. The VNB Swap effectively fixes the floating SOFR-based interest of the SOFR-based debt.

NOTE 25. SUBSEQUENT EVENTS

The Company’s management evaluates subsequent events through the date of issuance of the consolidated financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the consolidated financial statements other than the following. Subsequent to December 31, 2023, the Company received $50.3 million in refunds related to our 280E Position.