

**THESE FINANCIAL STATEMENTS FOR TRULIEVE CANNABIS CORP.
ARE ALSO INCLUDED IN THE FORM 10-Q FOR THE
QUARTER ENDED MARCH 31, 2024
FILED ON SEDAR ON MAY 9, 2024 IN ITS ENTIRETY**

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements.**

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	March 31, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 320,313	\$ 201,372
Restricted cash	6,607	6,607
Accounts receivable, net	5,934	6,703
Inventories	209,404	213,120
Prepaid expenses	17,447	17,620
Other current assets	20,299	23,735
Notes receivable - current portion, net	4,375	6,233
Assets associated with discontinued operations	887	1,958
Total current assets	585,266	477,348
Property and equipment, net	672,105	676,352
Right of use assets - operating, net	97,239	95,910
Right of use assets - finance, net	57,984	58,537
Intangible assets, net	901,681	917,191
Goodwill	483,905	483,905
Notes receivable, net	6,266	7,423
Other assets	12,828	10,379
Long-term assets associated with discontinued operations	2,010	2,010
TOTAL ASSETS	\$ 2,819,284	\$ 2,729,055
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 82,799	\$ 83,162
Income tax payable	1,156	—
Deferred revenue	2,098	1,335
Notes payable - current portion	3,793	3,759
Operating lease liabilities - current portion	10,465	10,068
Finance lease liabilities - current portion	7,817	7,637
Construction finance liabilities - current portion	1,574	1,466
Contingencies	4,433	4,433
Liabilities associated with discontinued operations	3,051	2,989
Total current liabilities	117,186	114,849
Long-Term Liabilities:		
Private placement notes, net	363,605	363,215
Notes payable, net	115,009	115,855
Operating lease liabilities	93,609	92,235
Finance lease liabilities	61,627	61,676
Construction finance liabilities	136,400	136,659
Deferred tax liabilities	216,980	206,964
Uncertain tax position liabilities	277,966	180,350

	March 31, 2024	December 31, 2023
Other long-term liabilities	4,999	7,086
Long-term liabilities associated with discontinued operations	40,895	41,553
TOTAL LIABILITIES	\$ 1,428,276	\$ 1,320,442
Commitments and contingencies (see Note 3)		
MEZZANINE EQUITY		
Redeemable non-controlling interest	\$ 7,671	\$ —
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited shares authorized. 187,253,410 and 186,235,818 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.	\$ —	\$ —
Additional paid-in-capital	2,054,070	2,055,112
Accumulated deficit	(663,718)	(640,639)
Non-controlling interest	(7,015)	(5,860)
TOTAL SHAREHOLDERS' EQUITY	1,383,337	1,408,613
TOTAL LIABILITIES, MEZZANINE EQUITY, AND SHAREHOLDERS' EQUITY	\$ 2,819,284	\$ 2,729,055

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

TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except for share data)

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 297,619	\$ 285,214
Cost of goods sold	123,817	135,022
Gross profit	173,802	150,192
Expenses:		
Sales and marketing	61,107	60,733
General and administrative	40,200	39,312
Depreciation and amortization	27,755	29,614
Impairment and disposal of long-lived assets, net of (recoveries)	(1,360)	3,379
Total expenses	127,702	133,038
Income from operations	46,100	17,154
Other income (expense):		
Interest expense, net	(14,669)	(21,160)
Interest income	3,258	1,062
Other (expense) income, net	(2,743)	4,108
Total other expense, net	(14,154)	(15,990)
Income before provision for income taxes	31,946	1,164
Provision for income taxes	55,435	35,464
Net loss from continuing operations	(23,489)	(34,300)
Net loss from discontinued operations, net of tax benefit of zero and \$(514), respectively	(1,358)	(31,331)
Net loss	(24,847)	(65,631)
Less: net loss attributable to non-controlling interest from continuing operations	(1,439)	(984)
Less: net loss attributable to redeemable non-controlling interest from continuing operations	(329)	—
Less: net loss attributable to non-controlling interest from discontinued operations	—	(523)
Net loss attributable to common shareholders	\$ (23,079)	\$ (64,124)
EPS Numerator Reconciliation (see Note 5)		
Net loss attributable to common shareholders	\$ (23,079)	\$ (64,124)
Net loss from discontinued operations	1,358	30,808
Adjustment of redeemable non-controlling interest to maximum redemption value	(8,836)	—
Net loss from continuing operations available to common shareholders	\$ (30,557)	\$ (33,316)
Net loss per share - Continuing operations:		
Basic and diluted	\$ (0.16)	\$ (0.18)
Net loss per share - Discontinued operations:		
Basic and diluted	\$ (0.01)	\$ (0.16)
Weighted average number of common shares used in computing net loss per share:		
Basic and diluted	189,493,134	188,899,309

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

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

	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in- Capital	Accumulated Deficit	Non- Controlling Interest	Total Shareholders' Equity
Balance, December 31, 2023	26,226,386	160,009,432	186,235,818	\$ 2,055,112	\$ (640,639)	\$ (5,860)	\$ 1,408,613
Share-based compensation	—	—	—	5,153	—	—	5,153
Exercise of stock options	—	42,662	42,662	170	—	—	170
Distributions to subsidiary non-controlling interest	—	—	—	—	—	(1,081)	(1,081)
Conversion of Multiple Voting to Subordinate Voting Shares	(3,000,000)	3,000,000	—	—	—	—	—
Redeemable non-controlling interest mezzanine equity	—	—	—	—	—	1,365	1,365
Adjustment of redeemable non-controlling interest to maximum redemption value	—	—	—	(8,836)	—	—	(8,836)
Subordinate Voting Shares issued pursuant to redemption of non-controlling interest	—	974,930	974,930	2,471	—	—	2,471
Net loss	—	—	—	—	(23,079)	(1,439)	(24,518)
Balance, March 31, 2024	<u>23,226,386</u>	<u>164,027,024</u>	<u>187,253,410</u>	<u>\$ 2,054,070</u>	<u>\$ (663,718)</u>	<u>\$ (7,015)</u>	<u>\$ 1,383,337</u>
	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in- Capital	Accumulated Deficit	Non- Controlling Interest	Total Shareholders' Equity
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	—	—	—	2,401	—	—	2,401
Distributions to subsidiary non-controlling interest	—	—	—	—	—	(50)	(50)
Value of shares earned for purchase of variable interest entity	—	—	—	1,643	—	—	1,643
Net loss	—	—	—	—	(65,631)	(1,507)	(67,138)
Balance, March 31, 2023	<u>26,226,386</u>	<u>159,761,126</u>	<u>185,987,512</u>	<u>\$ 2,049,047</u>	<u>\$ (179,474)</u>	<u>\$ (5,013)</u>	<u>\$ 1,864,560</u>

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

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

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (24,847)	\$ (65,631)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	27,755	30,371
Depreciation included in cost of goods sold	13,477	13,551
Non-cash interest expense, net	394	1,372
Impairment and disposal of long-lived assets, net of recoveries	(1,360)	31,015
Amortization of operating lease right of use assets	2,596	2,634
Accretion of construction finance liabilities	194	389
Share-based compensation	5,153	2,401
Proceeds received from insurance	1,473	—
Change in fair value of derivative liabilities - warrants	—	(252)
Non-cash change in contingencies	—	(3,725)
Allowance for credit losses	2,960	(159)
Deferred income tax expense (benefit)	10,016	(7,896)
Changes in operating assets and liabilities:		
Inventories	3,522	260
Accounts receivable	1,493	1,565
Prepaid expenses and other current assets	1,049	(1,776)
Other assets	(2,448)	1,888
Accounts payable and accrued liabilities	1,040	9,177
Income tax payable	2,663	(13,383)
Other current liabilities	—	(5,448)
Operating lease liabilities	(2,239)	(2,523)
Deferred revenue	762	(4,452)
Uncertain tax position liabilities	97,616	9,797
Other long-term liabilities	(2,115)	1,235
Net cash provided by operating activities	139,154	410
Cash flows from investing activities		
Purchases of property and equipment	(15,555)	(13,731)
Capitalized interest	61	(582)
Purchases of internal use software	(5,008)	(2,046)
Proceeds received from insurance recoveries on property and equipment	527	—
Cash paid for licenses	—	(3,500)
Proceeds from sales of long-lived assets	—	287
Payments received from notes receivable	266	180
Proceeds from sale of held for sale assets	748	580
Net cash used in investing activities	(18,961)	(18,812)
Cash flows from financing activities		
Proceeds from redemption of non-controlling interest	3,000	—
Proceeds from equity exercises	170	—
Payments on notes payable	(923)	(3,442)
Payments on finance lease obligations	(1,916)	(2,040)
Payments on construction finance liabilities	(803)	(278)

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

	Three Months Ended March 31,	
	2024	2023
Distributions to subsidiary non-controlling interest	(1,081)	(50)
Net cash used in financing activities	(1,553)	(5,810)
Net increase (decrease) in cash, cash equivalents, and restricted cash	118,640	(24,212)
Cash, cash equivalents, and restricted cash, beginning of period	207,979	213,792
Cash and cash equivalents of discontinued operations, beginning of period	301	5,702
Less: cash and cash equivalents of discontinued operations, end of period	—	(2,486)
Cash, cash equivalents, and restricted cash, end of period	\$ 326,920	\$ 192,796

Supplemental disclosure of cash flow information

Cash paid during the period for

Interest	\$ 8,939	\$ 9,618
Income taxes paid, net of (refunds)	(54,859)	46,775

Noncash investing and financing activities

ASC 842 lease additions - operating and finance leases	\$ 5,967	\$ 4,544
Purchases of property and equipment in accounts payable and accrued liabilities	484	2,197
Subordinate Voting Shares issued pursuant to redemption of non-controlling interest	2,471	—
Value of shares earned for purchase of variable interest entity	—	1,643

The condensed consolidated statements of cash flows include continuing operations and discontinued operations for the periods presented.

	Three Months Ended March 31,	
	2024	2023
Beginning of period:		
Cash and cash equivalents ⁽¹⁾⁽²⁾	\$ 201,372	\$ 207,185
Restricted cash	6,607	6,607
Cash, cash equivalents and restricted cash	\$ 207,979	\$ 213,792
End of period:		
Cash and cash equivalents ⁽³⁾⁽⁴⁾	\$ 320,313	\$ 185,642
Restricted cash	6,607	7,154
Cash, cash equivalents and restricted cash	\$ 326,920	\$ 192,796

(1) Excludes \$0.3 million attributable to discontinued operations.

(2) Excludes \$5.7 million attributable to discontinued operations.

(3) Excludes zero attributable to discontinued operations.

(4) Excludes \$2.5 million attributable to discontinued operations.

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

TRULIEVE CANNABIS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Trulieve Cannabis Corp., ("Trulieve" and, together with its subsidiaries and variable interest entities, the "Company," "our," or "us") has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and, therefore, do not include all financial information and footnotes required by GAAP for complete financial statements. In management's opinion, the condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair statement of the Company's financial position as of March 31, 2024, and the results of its operations and cash flows for the periods ended March 31, 2024 and 2023. The results of the Company's operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the full 2024 fiscal year.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for Trulieve Cannabis Corp. and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 29, 2024 (the "2023 Form 10-K").

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.

Basis of Measurement

These condensed 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 condensed consolidated financial statements are presented in U.S. dollars.

Reclassifications

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in the Company's 2023 Annual Report on Form 10-K, filed with the SEC on February 29, 2024. Our management has reviewed these significant accounting policies and related disclosures and determined that there were no significant changes to our critical accounting policies during the three month period ended March 31, 2024.

NOTE 3. SUPPLEMENTARY FINANCIAL INFORMATION

Inventories

Inventories are comprised of the following as of:

	March 31, 2024	December 31, 2023
	<i>(in thousands)</i>	
Raw material		
Cannabis plants	\$ 20,005	\$ 21,429
Packaging and supplies	30,544	36,472
Total raw material	50,549	57,901
Work in process	107,985	104,428
Finished goods - unmedicated	5,231	6,516
Finished goods - medicated	45,639	44,275
Total inventories	\$ 209,404	\$ 213,120

Notes Receivable

As of March 31, 2024 and December 31, 2023, the allowance for credit losses on notes receivable was \$2.9 million and zero, respectively.

Fair Value of Financial Instruments

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

	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	<i>(in thousands)</i>							
Financial Assets ⁽¹⁾ :								
Money market funds ⁽²⁾	\$282,814	\$ —	\$ —	\$282,814	\$145,995	\$ —	\$ —	\$145,995
Financial Liabilities:								
Interest rate swap ⁽³⁾	\$ —	\$ 1,043	\$ —	\$ 1,043	\$ —	\$ 2,341	\$ —	\$ 2,341

- (1) There were no transfers between hierarchy levels during the periods ending March 31, 2024 or December 31, 2023.
- (2) Money market funds are included within cash and cash equivalents on the Company's condensed consolidated balance sheets. Interest income from money market funds was \$2.9 million and \$0.7 million for the three months ended March 31, 2024 and 2023, respectively.
- (3) The fair value of the interest rate swap liability is recorded in other long-term liabilities on the condensed consolidated balance sheets.

Redeemable Non-Controlling Interest

One of the Company's consolidated variable interest entities is party to a shareholder agreement which provides certain of the non-controlling interest holders with optional redemption rights where they may put their shares in the consolidated subsidiary to the Company in exchange for a fixed number of Company shares. The non-controlling interest is redeemable at the option of the shareholder and is therefore recorded in temporary or "mezzanine" equity on the consolidated balance sheet in accordance with ASC Topic 480-10-S99. Certain put holders are required to pay a subscription fee prior to their put right becoming exercisable.

During the first quarter of 2024, certain redeemable non-controlling interest holders executed their put rights following the payment of their subscription amount to the consolidated subsidiary, resulting in the issuance of 974,930 of Company Shares. This redemption resulted in an increase in the Company's ownership interest to 65% from 46%.

At March 31, 2024, the redeemable non-controlling interest that is currently redeemable was recorded based on its redemption value of \$8.1 million.

The following table presents the components of the change in redeemable non-controlling interest for the three months ended March 31, 2024:

	Redeemable Non- Controlling Interest
Balance, beginning of period	\$ —
Reclassification to mezzanine equity	(1,365)
Redemption	529
Adjustment to maximum redemption value	8,836
Allocation of net loss	(329)
Balance, end of period	<u>\$ 7,671</u>

Shared Based Compensation

Stock Options

The following table summarizes the Company's stock option activity for the three months ended March 31, 2024:

	Number of options
Outstanding options, beginning of period	4,197,058
Granted ⁽¹⁾	992,166
Exercised	(42,662)
Forfeited	(64,805)
Outstanding options, end of period	<u>5,081,757</u>
Vested and exercisable options, end of period	3,323,425

⁽¹⁾ The weighted average exercise price for stock options granted was \$10.00.

Restricted Stock Units

The following table summarizes the Company's RSU activity for the three months ended March 31, 2024:

	Number of restricted stock units
Unvested balance, beginning of period	2,686,216
Granted ⁽¹⁾	2,194,918
Vested	(41,165)
Forfeited	(68,745)
Unvested balance, end of period	<u>4,771,224</u>

⁽¹⁾The weighted average grant date fair value of RSUs granted was \$10.00.

Revenue Disaggregation

Revenue is comprised of the following for the periods presented:

	Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Retail	\$ 284,994	\$ 274,846
Wholesale	12,179	9,692
Licensing and Other	446	676
Total Revenue	<u>\$ 297,619</u>	<u>\$ 285,214</u>

Commitments and Contingencies

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. As of March 31, 2024, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's condensed 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.

Contingencies

The Company records contingent liabilities which primarily consist of litigation on various claims in which it believes a loss is probable and can be estimated. As of March 31, 2024 and December 31, 2023, \$4.2 million was included in contingent liabilities on the condensed consolidated balance sheets related to pending litigation.

NOTE 4. FINANCING ARRANGEMENTS

Private Placement Notes

Private placement notes payable consisted of the following:

	March 31, 2024	December 31, 2023	Stated Interest Rate	Effective Interest Rate	Maturity Date
<i>(in thousands)</i>					
2026 Notes - Tranche One	\$ 293,000	\$ 293,000	8.00%	8.52%	10/6/2026
2026 Notes - Tranche Two	75,000	75,000	8.00%	8.43%	10/6/2026
Total private placement notes	<u>368,000</u>	<u>368,000</u>			
Less: unamortized debt discount and issuance costs	(4,395)	(4,785)			
Less: current portion of private placement notes	—	—			
Private placement notes, net	<u>\$ 363,605</u>	<u>\$ 363,215</u>			

The fair value of the private placement notes was approximately \$341.8 million as of March 31, 2024.

Notes Payable

Notes payable consisted of the following:

	March 31, 2024	December 31, 2023	Stated Interest Rate	Effective Interest Rate	Maturity Date
<i>(in thousands)</i>					
Mortgage Notes Payable					
Notes dated December 21, 2022	\$ 69,631	\$ 70,046	7.53%	7.87%	1/1/2028
Notes dated December 22, 2023	24,871	25,000	8.31%	8.48%	12/23/2028
Notes dated December 22, 2022	18,357	18,470	7.30%	7.38%	12/22/2032
Notes dated October 1, 2021	5,534	5,645	8.14%	8.29%	10/1/2027
Total mortgage notes payable	<u>118,393</u>	<u>119,161</u>			
Promissory Notes Payable					
Notes acquired in Harvest Acquisition in October 2021 ⁽¹⁾	1,684	1,707	(1)	(1)	(1)
Notes of consolidated variable-interest entity dated February 1, 2022	753	885	8.00%	8.00%	12/31/2025
Total promissory notes payable	<u>2,437</u>	<u>2,592</u>			
Total notes payable ⁽²⁾	<u>120,830</u>	<u>121,753</u>			
Less: unamortized debt discount and issuance costs	(2,028)	(2,139)			
Less: current portion of notes payable	(3,793)	(3,759)			
Notes payable, net	<u>\$ 115,009</u>	<u>\$ 115,855</u>			

(1) Interest rates range from 0.00% to 7.50%, with a weighted average interest rate of 6.63% as of March 31, 2024. Maturity dates range from October 4, 2024 to October 24, 2026.

(2) Notes payable are subordinated to the private placement notes.

Construction Finance Liabilities

Total construction finance liabilities were \$138.0 million and \$138.1 million as of March 31, 2024 and December 31, 2023, respectively. The contractual terms range from 10.0 years to 25.0 years with a weighted average remaining lease term of 16.6 years.

Maturities

Stated maturities of the principal portion of private placement and notes payable outstanding and future minimum lease payments for the construction finance liabilities, including interest, as of March 31, 2024 are as follows:

Year	Private Placement Notes	Notes Payable	Construction Finance Liabilities	Total Maturities
	<i>(in thousands)</i>			
Remainder of 2024	\$ —	\$ 2,950	\$ 12,801	\$ 15,751
2025	—	4,232	17,521	21,753
2026	368,000	4,632	18,013	390,645
2027	—	70,034	18,519	88,553
2028	—	23,199	19,039	42,238
Thereafter	—	15,783	283,384	299,167
Total	\$ 368,000	\$ 120,830	369,277	858,107

NOTE 5. EARNINGS PER SHARE

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

	Three Months Ended March 31,	
	2024	2023
	<i>(in thousands, except for share data)</i>	
Numerator		
Continuing operations		
Net loss from continuing operations	\$ (23,489)	\$ (34,300)
Less: net loss attributable to non-controlling interest	(1,439)	(984)
Less: net loss attributable to redeemable non-controlling interest from continuing operations	(329)	—
Less: adjustment of redeemable non-controlling interest to maximum redemption value	8,836	—
Net loss from continuing operations available to common shareholders of Trulieve Cannabis Corp.	<u>\$ (30,557)</u>	<u>\$ (33,316)</u>
Discontinued operations		
Net loss from discontinued operations	\$ (1,358)	\$ (31,331)
Less: net loss attributable to non-controlling interest	—	(523)
Net loss from discontinued operations excluding non-controlling interest	<u>\$ (1,358)</u>	<u>\$ (30,808)</u>
Denominator		
Weighted average number of common shares outstanding - Basic and diluted ⁽¹⁾	189,493,134	188,899,309
Loss per Share - Continuing operations		
Basic and diluted loss per share	\$ (0.16)	\$ (0.18)
Loss per Share - Discontinued operations		
Basic and diluted loss per share	\$ (0.01)	\$ (0.16)

⁽¹⁾ Potentially dilutive securities representing 11.0 million and 4.0 million shares of common stock were excluded from the computation of diluted earnings per share for the three months ended March 31, 2024 and 2023, respectively, as their effect would have been antidilutive.

As of March 31, 2024, there were approximately 187.3 million shares issued and outstanding, which excluded approximately 2.9 million fully vested RSUs which are not contractually issuable until September 2024 and approximately 0.1 million fully vested RSUs which are not contractually issuable until the earlier of a triggering event, as defined, or December 1, 2030.

NOTE 6. INCOME TAXES

The following table summarizes the Company's income tax expense and effective tax rate for the periods presented:

	Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Income before provision for income taxes	\$31,946	\$1,164
Provision for income taxes	\$55,435	\$35,464
Effective tax rate	174%	3047%

The Company has computed its provision for income taxes based on the actual effective tax rate for the quarter as the Company believes this is the best estimate for the annual effective tax rate. The Company is subject to income taxes in the United States and Canada.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. 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.

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

	Three Months Ended March 31, 2024
	<i>(in thousands)</i>
Balance, beginning of period	\$ 542,762
Reductions based on tax positions related to the prior year	(870)
Reductions based on refunds requested but not received related to the prior year	(44,677)
Additions based on tax positions related to the current year	32,236
Additions based on refunds received related to prior years	50,344
Balance, end of period	<u>\$ 579,795</u>

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

	Three Months Ended March 31, 2024
	<i>(in thousands)</i>
Balance, beginning of period	\$ 180,350
Reductions based on tax positions related to the prior year	(731)
Additions based on tax positions related to the current year	42,095
Additions based on refunds received related to prior years	50,344
Reclass tax payment on deposit	2,321
Interest recorded in income tax expense, net of reversals ⁽¹⁾	3,587
Balance, end of period ⁽²⁾	<u>\$ 277,966</u>

(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 condensed consolidated statements of operations.

(2) Of the \$278.0 million in uncertain tax liabilities, \$247.3 million are related to our tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

The Company's net uncertain tax liabilities, inclusive of interest and tax payments on deposit, were approximately \$278.0 million and \$180.4 million as of March 31, 2024 and December 31, 2023, respectively, which is recorded in other long-term liabilities in the condensed consolidated balance sheets. The increase of \$97.6 million in uncertain tax positions is primarily due to activity related to tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

During the three months ended March 31, 2024, the Company recorded interest of \$3.6 million on uncertain tax liabilities in the consolidated statements of operations and comprehensive income, which is primarily related to the tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E. During the three months ended March 31, 2023, the Company recorded interest of \$0.8 million on uncertain tax liabilities in the consolidated statements of operations and comprehensive income, which primarily related to a tax position taken relating to our inventory costs for tax purposes in our Florida dispensaries.

As of March 31, 2024, the Company has tax payments on deposit of \$154.7 million that would reduce the uncertain tax liability when ultimately paid to the tax jurisdictions.

NOTE 7. VARIABLE INTEREST ENTITIES

The Company has entered into certain agreements in several states with various entities related to the purchase and operation of cannabis dispensary, cultivation, and production licenses, and has determined these to be variable interest entities for which it is the primary beneficiary and/or holds a controlling voting equity position. The Company holds ownership interests in these entities ranging from 49% to 95% either directly or through a proxy as of March 31, 2024. The Company's VIEs are not material to the consolidated financial position or operations as of March 31, 2024 and December 31, 2023 or for the three months ended March 31, 2024 and 2023.

The following table presents the summarized assets and liabilities of the Company's consolidated VIEs in which the Company does not hold a majority interest as of March 31, 2024 and December 31, 2023. 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 condensed consolidated balance sheets. As outlined within *Note 3. Supplementary Financial Information*, the redemption of a redeemable non-controlling interest resulted in an increase in the Company's ownership interest in one of the Company's consolidated variable interest entities to 65% as of March 31, 2024 from 46% as of December 31, 2023. This increased the ownership in this consolidated variable interest entity where the Company holds a majority interest as of March 31, 2024.

	March 31, 2024	December 31, 2023
	<i>(in thousands)</i>	
Current assets:		
Cash	\$ 881	\$ 9,491
Accounts receivable, net	—	1,308
Inventories	874	8,341
Prepaid expenses	291	423
Other current assets	16	7
Total current assets	2,062	19,570
Property and equipment, net	560	28,068
Right of use asset - operating, net	—	2,744
Right of use asset - finance, net	—	259
Intangible assets, net	5,750	17,162
Other assets	31	140
Total assets	<u>\$ 8,403</u>	<u>\$ 67,943</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,756	\$ 1,939
Income tax payable	—	2,017
Deferred revenue	—	2
Operating lease liability - current portion	—	63
Finance lease liability - current portion	—	60
Total current liabilities	1,756	4,081
Notes payable	753	885
Operating lease liability	—	2,926
Finance lease liability	—	210
Deferred tax liabilities	—	3,638
Other long-term liabilities	—	671
Total liabilities	<u>\$ 2,509</u>	<u>\$ 12,411</u>

NOTE 8. RELATED PARTIES

In the third quarter of 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 related to the use of this asset was \$0.1 million for the three months ended March 31, 2024.

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 another member of the Company's board of directors.

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

	March 31, 2024	December 31, 2023
	<i>(in thousands)</i>	
Right-of-use assets, net	<u>\$ 676</u>	<u>\$ 706</u>
Lease liabilities:		
Lease liabilities - current portion	\$ 130	\$ 127
Lease liabilities	590	624
Total related parties lease liabilities	<u>\$ 720</u>	<u>\$ 751</u>

Lease expense recognized on related party leases was less than \$0.1 million and less than \$0.1 million for the three months ended March 31, 2024 and 2023, respectively.

NOTE 9. DISCONTINUED OPERATIONS

The assets and liabilities associated with discontinued operations consisted of the following as of:

	March 31, 2024	December 31, 2023
	<i>(in thousands)</i>	
Assets associated with discontinued operations		
Cash	\$ —	\$ 301
Accounts receivable, net	42	841
Prepaid expenses	845	816
Other assets	2,010	2,010
Total assets associated with discontinued operations	<u>\$ 2,897</u>	<u>\$ 3,968</u>
Liabilities associated with discontinued operations		
Accounts payable and accrued liabilities	\$ 456	\$ 530
Operating lease liabilities - current portion	183	165
Finance lease liabilities - current portion	299	291
Construction finance liability - current portion	2,113	2,003
Operating lease liabilities	15,295	15,332
Finance lease liabilities	1,995	2,048
Construction finance liability	23,599	24,167
Other long-term liabilities	6	6
Total liabilities associated with discontinued operations	<u>\$ 43,946</u>	<u>\$ 44,542</u>

The following table summarizes the Company's loss from discontinued operations for the periods presented.

	Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Revenue	\$ —	\$ 3,875
Cost of goods sold	—	4,129
Gross margin	—	(254)
Expenses:		
Operating expenses	435	2,388
Impairment and disposal of long-lived assets, net	—	27,636
Total expenses	435	30,024
Loss from operations	(435)	(30,278)
Other expense:		
Other expense, net	(923)	(1,567)
Total other expense, net	(923)	(1,567)
Loss before income taxes	(1,358)	(31,845)
Income tax benefit	—	(514)
Net loss from discontinued operations, net of tax benefit	(1,358)	(31,331)
Less: net loss attributable to non-controlling interest from discontinued operations	—	(523)
Net loss from discontinued operations excluding non-controlling interest	<u>\$ (1,358)</u>	<u>\$ (30,808)</u>

The condensed consolidated statements of cash flows include continuing operations and discontinued operations. The following table summarizes the depreciation of long-lived assets, amortization of long-lived assets, and capital expenditures of discontinued operations for the prior year as the activity during the three months ended March 31, 2024 was nominal.

	Three Months Ended March 31, 2023	
	<i>(in thousands)</i>	
Depreciation and amortization	\$	2,226
Purchases of property and equipment		67
Loss on impairment of long-lived assets		27,636

NOTE 10. SUBSEQUENT EVENTS

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