

**THESE FINANCIAL STATEMENTS FOR TRULIEVE CANNABIS CORP.
ARE ALSO INCLUDED IN THE FORM 10-Q FOR THE
QUARTER ENDED JUNE 30, 2024
FILED ON SEDAR ON AUGUST 6, 2024 IN ITS ENTIRETY**

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 355,184	\$ 201,372
Restricted cash	907	6,607
Accounts receivable, net	7,534	6,703
Inventories	207,634	213,120
Income tax receivable	6,345	—
Prepaid expenses	23,582	17,620
Other current assets	26,747	23,735
Notes receivable - current portion, net	2,190	6,233
Assets associated with discontinued operations	959	1,958
Total current assets	631,082	477,348
Property and equipment, net	678,129	676,352
Right of use assets - operating, net	104,276	95,910
Right of use assets - finance, net	56,788	58,537
Intangible assets, net	887,297	917,191
Goodwill	483,905	483,905
Notes receivable, net	5,996	7,423
Other assets	15,444	10,379
Long-term assets associated with discontinued operations	1,980	2,010
TOTAL ASSETS	\$ 2,864,897	\$ 2,729,055
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 87,214	\$ 83,162
Deferred revenue	4,316	1,335
Notes payable - current portion	3,873	3,759
Operating lease liabilities - current portion	10,825	10,068
Finance lease liabilities - current portion	8,076	7,637
Construction finance liabilities - current portion	1,686	1,466
Contingencies	4,635	4,433
Liabilities associated with discontinued operations	3,176	2,989
Total current liabilities	123,801	114,849
Long-Term Liabilities:		
Private placement notes, net	363,996	363,215
Notes payable, net	113,513	115,855
Operating lease liabilities	101,030	92,235
Finance lease liabilities	60,999	61,676
Construction finance liabilities	136,137	136,659
Deferred tax liabilities	211,087	206,964
Uncertain tax position liabilities	333,102	180,350

	June 30, 2024	December 31, 2023
Other long-term liabilities	4,693	7,086
Long-term liabilities associated with discontinued operations	40,176	41,553
TOTAL LIABILITIES	\$ 1,488,534	\$ 1,320,442
Commitments and contingencies (see Note 3)		
MEZZANINE EQUITY		
Redeemable non-controlling interest	\$ 5,313	\$ —
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited shares authorized. 187,324,658 and 186,235,818 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively.	\$ —	\$ —
Additional paid-in-capital	2,056,072	2,055,112
Accumulated deficit	(675,746)	(640,639)
Non-controlling interest	(9,276)	(5,860)
TOTAL SHAREHOLDERS' EQUITY	1,371,050	1,408,613
TOTAL LIABILITIES, MEZZANINE EQUITY, AND SHAREHOLDERS' EQUITY	\$ 2,864,897	\$ 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 303,442	\$ 281,795	\$ 601,061	\$ 567,009
Cost of goods sold	121,794	140,158	245,611	275,180
Gross profit	181,648	141,637	355,450	291,829
Expenses:				
Sales and marketing	63,182	61,075	124,289	121,808
General and administrative	39,403	34,901	79,603	74,213
Depreciation and amortization	28,076	26,052	55,831	55,666
Impairment and disposal of long-lived assets, net of (recoveries)	1,233	3,310	(127)	6,689
Impairment of goodwill	—	307,590	—	307,590
Total expenses	131,894	432,928	259,596	565,966
Income (loss) from operations	49,754	(291,291)	95,854	(274,137)
Other income (expense):				
Interest expense, net	(15,449)	(18,931)	(30,118)	(40,091)
Interest income	4,039	1,334	7,297	2,396
Other (expense) income, net	(1,837)	641	(4,580)	4,749
Total other expense, net	(13,247)	(16,956)	(27,401)	(32,946)
Income (loss) before provision for income taxes	36,507	(308,247)	68,453	(307,083)
Provision for income taxes	47,200	33,829	102,635	69,293
Net loss from continuing operations	(10,693)	(342,076)	(34,182)	(376,376)
Net loss from discontinued operations, net of tax benefit of zero, \$(1,144), zero, and \$(630), respectively	(1,619)	(64,796)	(2,977)	(96,127)
Net loss	(12,312)	(406,872)	(37,159)	(472,503)
Less: net income (loss) attributable to non-controlling interest from continuing operations	44	(2,353)	(1,395)	(3,337)
Less: net loss attributable to redeemable non-controlling interest from continuing operations	(328)	—	(657)	—
Less: net loss attributable to non-controlling interest from discontinued operations	—	(670)	—	(1,193)
Net loss attributable to common shareholders	\$ (12,028)	\$ (403,849)	\$ (35,107)	\$ (467,973)

Earnings Per Share (see numerator reconciliation below)

Net loss per share - Continuing operations:

Basic and diluted	\$ (0.04)	\$ (1.80)	\$ (0.21)	\$ (1.97)
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Net loss per share - Discontinued operations:

Basic and diluted	\$ (0.01)	\$ (0.34)	\$ (0.02)	\$ (0.50)
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Weighted average number of common shares used in computing net loss per share:

Basic and diluted	190,326,678	189,054,359	189,909,906	188,976,834
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TRULIEVE CANNABIS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except for share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
EPS Numerator Reconciliation (see Note 5)				
Net loss attributable to common shareholders (from above)	\$ (12,028)	\$ (403,849)	\$ (35,107)	\$ (467,973)
Net loss from discontinued operations, net of tax, attributable to common shareholders	1,619	64,126	2,977	94,934
Adjustment of redeemable non-controlling interest to maximum redemption value	1,891	—	(6,945)	—
Net loss from continuing operations available to common shareholders	<u>\$ (8,518)</u>	<u>\$ (339,723)</u>	<u>\$ (39,075)</u>	<u>\$ (373,039)</u>

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)

	Three Months Ended						Total Shareholders' Equity
	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Additional Paid-in-Capital	Accumulated Deficit	Non-Controlling Interest	
Balance, March 31, 2024	23,226,386	164,027,024	187,253,410	\$ 2,054,070	\$ (663,718)	\$ (7,015)	\$ 1,383,337
Share-based compensation	—	—	—	4,957	—	—	4,957
Subordinate Voting Shares issued under share compensation plans	—	83,477	83,477	40	—	—	40
Tax withholding related to net share settlements of equity awards	—	(12,229)	(12,229)	(94)	—	—	(94)
Redeemable non-controlling interest mezzanine equity	—	—	—	—	—	139	139
Adjustment of redeemable non-controlling interest to maximum redemption value	—	—	—	1,891	—	—	1,891
Consolidated VIE settlement transaction	—	—	—	(4,792)	—	(2,444)	(7,236)
Net loss	—	—	—	—	(12,028)	44	(11,984)
Balance, June 30, 2024	<u>23,226,386</u>	<u>164,098,272</u>	<u>187,324,658</u>	<u>\$ 2,056,072</u>	<u>\$ (675,746)</u>	<u>\$ (9,276)</u>	<u>\$ 1,371,050</u>
Balance, March 31, 2023	26,226,386	159,761,126	185,987,512	\$ 2,049,047	\$ (177,967)	\$ (5,013)	\$ 1,866,067
Share-based compensation	—	—	—	475	—	—	475
Termination of purchase of variable interest entity	—	—	—	(1,643)	—	—	(1,643)
Deconsolidation and divestment of variable interest entities	—	—	—	—	—	3,986	3,986
Net loss	—	—	—	—	(403,849)	(3,023)	(406,872)
Balance, June 30, 2023	<u>26,226,386</u>	<u>159,761,126</u>	<u>185,987,512</u>	<u>\$ 2,047,879</u>	<u>\$ (581,816)</u>	<u>\$ (4,050)</u>	<u>\$ 1,462,013</u>

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

	Six Months Ended						
	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	—	—	—	10,110	—	—	10,110
Subordinate Voting Shares issued under share compensation plans	—	126,139	126,139	210	—	—	210
Tax withholding related to net share settlements of equity awards	—	(12,229)	(12,229)	(94)	—	—	(94)
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	—	—	—	—	—	1,504	1,504
Adjustment of redeemable non-controlling interest to maximum redemption value	—	—	—	(6,945)	—	—	(6,945)
Subordinate Voting Shares issued pursuant to redemption of non-controlling interest	—	974,930	974,930	2,471	—	—	2,471
Consolidated VIE settlement transaction	—	—	—	(4,792)	—	(2,444)	(7,236)
Net loss	—	—	—	—	(35,107)	(1,395)	(36,502)
Balance, June 30, 2024	<u>23,226,386</u>	<u>164,098,272</u>	<u>187,324,658</u>	<u>\$ 2,056,072</u>	<u>\$ (675,746)</u>	<u>\$ (9,276)</u>	<u>\$ 1,371,050</u>
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	—	—	—	2,876	—	—	2,876
Termination of purchase of variable interest entity	—	—	—	(1,643)	—	—	(1,643)
Deconsolidation and divestment of variable interest entities	—	—	—	—	—	3,986	3,986
Distributions to subsidiary non-controlling interest	—	—	—	—	—	(50)	(50)
Value of shares earned for purchase of variable interest entity	—	—	—	1,643	—	—	1,643
Net loss	—	—	—	—	(467,973)	(4,530)	(472,503)
Balance, June 30, 2023	<u>26,226,386</u>	<u>159,761,126</u>	<u>185,987,512</u>	<u>\$ 2,047,879</u>	<u>\$ (581,816)</u>	<u>\$ (4,050)</u>	<u>\$ 1,462,013</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)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (37,159)	\$ (472,503)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	55,831	56,610
Depreciation included in cost of goods sold	26,793	30,945
Impairment and disposal of long-lived assets, net of recoveries	(127)	6,689
Impairment of goodwill	—	307,590
Amortization of operating lease right of use assets	5,361	5,260
Share-based compensation	10,110	2,876
Allowance for credit losses	4,433	350
Deferred income tax expense (benefit)	3,518	(12,236)
Loss from disposal of discontinued operations	—	69,275
Other non-cash changes	1,177	3,334
Changes in operating assets and liabilities:		
Inventories	5,010	40,333
Accounts receivable	747	(664)
Prepaid expenses and other current assets	(5,754)	4,957
Other assets	(5,034)	1,704
Accounts payable and accrued liabilities	(244)	(4,338)
Income tax receivable / payable	(4,838)	(49,728)
Other liabilities	202	(15,254)
Operating lease liabilities	(4,312)	(4,876)
Deferred revenue	2,980	(3,782)
Uncertain tax position liabilities	152,752	11,179
Other long-term liabilities	(2,447)	(783)
Proceeds received from insurance for operating expenses	1,473	—
Net cash provided by (used in) operating activities	210,472	(23,062)
Cash flows from investing activities		
Purchases of property and equipment	(42,104)	(24,720)
Capitalized interest	318	(795)
Purchases of internal use software	(11,510)	(4,383)
Proceeds received from insurance recoveries on property and equipment	527	—
Cash paid for licenses	(500)	(3,971)
Payments received from notes receivable	581	358
Proceeds from disposal activities	748	8,193
Net cash used in investing activities	(51,940)	(25,318)
Cash flows from financing activities		
Proceeds from non-controlling interest holders' subscription	3,000	—
Proceeds from equity exercises	210	—
Payments on notes payable	(2,444)	(4,828)

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

	Six Months Ended	
	June 30,	
	2024	2023
Payments on finance lease obligations	(3,605)	(3,895)
Payments on construction finance liabilities	(1,630)	(562)
Payments for taxes related to net share settlement of equity awards	(94)	—
Payments and costs related to consolidated VIE settlement transaction	(5,077)	—
Distributions to subsidiary non-controlling interest	(1,081)	(50)
Net cash used in financing activities	(10,721)	(9,335)
Net increase (decrease) in cash and cash equivalents	147,811	(57,715)
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	—	(1,835)
Cash, cash equivalents, and restricted cash, end of period	\$ 356,091	\$ 159,944

Supplemental disclosure of cash flow information

Cash paid during the period for

Interest	\$ 32,556	\$ 41,121
Income taxes paid, net of (refunds)	(48,796)	121,009
Noncash investing and financing activities		
ASC 842 lease additions - operating and finance leases	\$ 17,418	\$ 10,410
Purchases of property and equipment in accounts payable and accrued liabilities	6,302	2,682
Subordinate Voting Shares issued pursuant to redemption of non-controlling interest	2,471	—
Noncash partial extinguishment of construction finance liability	—	18,486
Reclassification of assets to held for sale	7,044	—
Adjustment of redeemable non-controlling interest to maximum redemption value	6,945	—

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

	June 30,	
	2024	2023
Beginning of period:		
Cash and cash equivalents ⁽¹⁾	\$ 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 ⁽²⁾	\$ 355,184	\$ 152,369
Restricted cash	907	7,575
Cash, cash equivalents and restricted cash	\$ 356,091	\$ 159,944

⁽¹⁾ Excludes cash associated with discontinued operations totaling \$0.3 million and \$5.7 million as of December 31, 2023 and 2022, respectively.

⁽²⁾ Excludes cash associated with discontinued operations totaling zero and \$1.8 million as of June 30, 2024 and 2023, respectively.

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," the "Company," "we," "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 June 30, 2024, and the results of its operations and cash flows for the periods ended June 30, 2024 and 2023. The results of the Company's operations for the three and six months ended June 30, 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 condensed consolidated balance sheets and the results of the discontinued operations have been presented as discontinued operations within the condensed 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 significant accounting policies during the six month period ended June 30, 2024.

NOTE 3. SUPPLEMENTARY FINANCIAL INFORMATION**Inventories**

Inventories are comprised of the following as of:

	June 30, 2024	December 31, 2023
	<i>(in thousands)</i>	
Raw materials		
Cannabis plants	\$ 21,612	\$ 21,429
Packaging and supplies	28,964	36,472
Total raw materials	50,576	57,901
Work in process	101,978	104,428
Finished goods - unmedicated	5,597	6,516
Finished goods - medicated	49,483	44,275
Total inventories	\$ 207,634	\$ 213,120

Notes Receivable

As of June 30, 2024 and December 31, 2023, the allowance for credit losses on notes receivable was \$5.2 million and zero, respectively. The provision for credit losses is recorded to other (expense) income, net on the condensed consolidated statements of operations and was \$2.3 million and \$5.2 million for the three and six months ended June 30, 2024, respectively.

Held for Sale Assets

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

	<i>(in thousands)</i>
Held for sale assets, net as of December 31, 2023	\$ 15,580
Assets moved to held for sale	7,044
Impairments	(1,207)
Assets sold	(775)
Held for sale assets, net as of June 30, 2024	\$ 20,642

The Company recorded a \$1.2 million loss on the impairment and disposal of held for sale assets during the three and six months ended June 30, 2024, which was recorded to impairment and disposal of long-lived assets, net of recoveries, on the condensed consolidated statements of operations.

Operating Leases

Future minimum lease payments under the Company's non-cancellable operating leases as of June 30, 2024 are as follows:

Year	Operating leases
	<i>(in thousands)</i>
Remainder of 2024	\$ 10,082
2025	22,109
2026	21,606
2027	21,031
2028	20,266
Thereafter	76,077
Total	<u>\$ 171,171</u>

Fair Value Measurements

The fair values of financial instruments measured on a recurring basis by class are as follows:

	June 30, 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⁾	\$323,071	\$ —	\$ —	\$323,071	\$145,995	\$ —	\$ —	\$145,995
Financial Liabilities:								
Interest rate swap ⁽³⁾	\$ —	\$ 755	\$ —	\$ 755	\$ —	\$ 2,341	\$ —	\$ 2,341

- (1) There were no transfers between hierarchy levels during the periods ending June 30, 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 \$3.7 million and \$1.1 million for the three months ended June 30, 2024 and 2023, respectively, and was \$6.6 million and \$1.8 million for the six months ended June 30, 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.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are subject to nonrecurring fair value measurements. If events or indicators occur that require an impairment assessment, impairment charges may be recorded to reduce the assets to fair value. The Company recorded impairment charges totaling \$1.2 million related to assets moved to held for sale during the three and six months ended June 30, 2024. The impairment charges were recorded to impairment and disposal of long-lived assets, net of recoveries on the condensed consolidated statements of operations and were derived from the difference between the carrying value and the estimated fair value of the relevant asset, minus estimated selling costs. The fair value was estimated using an income capitalization approach with estimates and assumptions regarding the asset's future cash flows and return on investment (Level 3).

Redeemable Non-Controlling Interest

One of the Company's consolidated variable interest entities ("VIE") 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 condensed consolidated balance sheets 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 June 30, 2024, the currently redeemable non-controlling interest could be settled with the issuance of 649,954 shares with a redemption value totaling \$6.0 million.

The following table presents the components of the change in redeemable non-controlling interest for the periods presented:

	June 30, 2024	
	Three Months Ended	Six Months Ended
	<i>(in thousands)</i>	
Balance, beginning of period	\$ 7,671	\$ —
Reclassification to mezzanine equity	(139)	(1,504)
Redemption	—	529
Adjustment to maximum redemption value	(1,891)	6,945
Allocation of net loss	(328)	(657)
Balance, end of period	<u>\$ 5,313</u>	<u>\$ 5,313</u>

Shared Based Compensation

Stock Options

The following table summarizes the Company's stock option activity for the six months ended June 30, 2024:

	Number of options
Outstanding options, beginning of period	4,197,058
Granted ⁽¹⁾	992,166
Exercised	(81,839)
Forfeited	(334,831)
Outstanding options, end of period	<u>4,772,554</u>
Vested and exercisable options, end of period	<u>3,284,248</u>

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

Restricted Stock Units

The following table summarizes the Company's restricted stock unit ("RSU") activity for the six months ended June 30, 2024:

	Number of restricted stock units
Unvested balance, beginning of period	2,686,216
Granted ⁽¹⁾	2,194,918
Vested	(93,665)
Forfeited	(92,745)
Unvested balance, end of period	<u>4,694,724</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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Retail	\$ 289,313	\$ 271,888	\$ 574,307	\$ 546,734
Wholesale	13,670	9,215	25,849	18,907
Licensing and Other	459	692	905	1,368
Total Revenue	\$ 303,442	\$ 281,795	\$ 601,061	\$ 567,009

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 June 30, 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 June 30, 2024 and December 31, 2023, \$4.6 million and \$4.2 million, respectively, 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:

	June 30, 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	368,000	368,000			
Less: unamortized debt discount and issuance costs	(4,004)	(4,785)			
Less: current portion of private placement notes	—	—			
Private placement notes, net	\$ 363,996	\$ 363,215			

Notes Payable

Notes payable consisted of the following:

	June 30, 2024	December 31, 2023	Stated Interest Rate	Effective Interest Rate	Maturity Date
<i>(in thousands)</i>					
Mortgage Notes Payable ⁽¹⁾					
Notes dated December 21, 2022	\$ 69,250	\$ 70,046	7.53%	7.87%	1/1/2028
Notes dated December 22, 2023	24,751	25,000	8.31%	8.48%	12/23/2028
Notes dated December 22, 2022	18,245	18,470	7.30%	7.38%	12/22/2032
Notes dated October 1, 2021	5,422	5,645	8.14%	8.29%	10/1/2027
Total mortgage notes payable	<u>117,668</u>	<u>119,161</u>			
Promissory Notes Payable					
Notes acquired in Harvest Acquisition in October 2021 ⁽²⁾	1,641	1,707	(2)	(2)	(2)
Notes of consolidated variable-interest entity dated February 1, 2022	—	885			
Total promissory notes payable	<u>1,641</u>	<u>2,592</u>			
Total notes payable ⁽³⁾	<u>119,309</u>	<u>121,753</u>			
Less: unamortized debt discount and issuance costs	(1,923)	(2,139)			
Less: current portion of notes payable	(3,873)	(3,759)			
Notes payable, net	<u>\$ 113,513</u>	<u>\$ 115,855</u>			

(1) Mortgage notes payable are secured by assets underlying the mortgages.

(2) Interest rates range from 0.00% to 7.50%, with a weighted average interest rate of 6.66% as of June 30, 2024. Maturity dates range from October 4, 2024 to October 24, 2026.

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

Construction Finance Liabilities

Total construction finance liabilities were \$137.8 million and \$138.1 million as of June 30, 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 16.3 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 June 30, 2024 are as follows:

Year	Private Placement Notes	Notes Payable	Construction Finance Liabilities	Total Maturities
	<i>(in thousands)</i>			
Remainder of 2024	\$ —	\$ 2,180	\$ 8,558	\$ 10,738
2025	—	3,446	17,521	20,967
2026	368,000	4,655	18,013	390,668
2027	—	70,034	18,519	88,553
2028	—	23,199	19,039	42,238
Thereafter	—	15,795	283,384	299,179
Total	\$ 368,000	\$ 119,309	\$ 365,034	\$ 852,343

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		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Numerator	<i>(in thousands, except for share data)</i>			
Continuing operations				
Net loss from continuing operations	\$ (10,693)	\$ (342,076)	\$ (34,182)	\$ (376,376)
Less: net income (loss) attributable to non-controlling interest	44	(2,353)	(1,395)	(3,337)
Less: net loss attributable to redeemable non-controlling interest from continuing operations	(328)	—	(657)	—
Less: adjustment of redeemable non-controlling interest to maximum redemption value	(1,891)	—	6,945	—
Net loss from continuing operations available to common shareholders.	<u>\$ (8,518)</u>	<u>\$ (339,723)</u>	<u>\$ (39,075)</u>	<u>\$ (373,039)</u>
Discontinued operations				
Net loss from discontinued operations, net of tax	\$ (1,619)	\$ (64,796)	\$ (2,977)	\$ (96,127)
Less: net loss attributable to non-controlling interest	—	(670)	—	(1,193)
Net loss from discontinued operations, net of tax, attributable to common shareholders	<u>\$ (1,619)</u>	<u>\$ (64,126)</u>	<u>\$ (2,977)</u>	<u>\$ (94,934)</u>
Denominator				
Weighted average number of common shares outstanding - Basic and diluted ⁽¹⁾	190,326,678	189,054,359	189,909,906	188,976,834
Loss per Share - Continuing operations				
Basic and diluted loss per share	\$ (0.04)	\$ (1.80)	\$ (0.21)	\$ (1.97)
Loss per Share - Discontinued operations				
Basic and diluted loss per share	\$ (0.01)	\$ (0.34)	\$ (0.02)	\$ (0.50)

⁽¹⁾ Potentially dilutive securities representing 10.6 million shares of common stock were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2024 and 3.5 million shares of common stock were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2023.

As of June 30, 2024, 187.3 million shares were issued and outstanding, which excluded 2.9 million fully vested RSUs that are not contractually issuable until September 2024 and excluded 0.1 million fully vested RSUs that are not contractually issuable until the earlier of a defined triggering event or the award anniversary date, either December 1, 2030 or December 1, 2031.

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(in thousands)</i>				
Income (loss) before provision for income taxes	\$36,507	\$(308,247)	\$68,453	\$(307,083)
Provision for income taxes	\$47,200	\$33,829	\$102,635	\$69,293
Effective tax rate	129%	(11%)	150%	(23%)

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:

	June 30, 2024	
	Three Months Ended	Six Months Ended
<i>(in thousands)</i>		
Balance, beginning of period	\$ 579,795	\$ 542,762
Reductions based on tax positions related to the prior year	(773)	(1,643)
Reductions based on refunds requested but not received related to the prior year	(1,876)	(46,553)
Additions based on tax positions related to the current year	31,436	63,672
Additions based on refunds received related to prior years	2,041	52,385
Balance, end of period	<u>\$ 610,623</u>	<u>\$ 610,623</u>

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

	June 30, 2024	
	Three Months Ended	Six Months Ended
	<i>(in thousands)</i>	
Balance, beginning of period	\$ 277,966	\$ 180,350
Reductions based on tax positions related to the prior year	—	(731)
Additions based on tax positions related to the current year	31,929	74,024
Additions based on refunds received related to prior years	2,041	52,385
Reclass tax payment on deposit	15,228	17,549
Interest recorded in income tax expense, net of reversals ⁽¹⁾	5,938	9,525
Balance, end of period ⁽²⁾	<u>\$ 333,102</u>	<u>\$ 333,102</u>

(1) Amounts represent the interest and penalties recorded on uncertain tax positions during the respective years which are recorded in the provision for income taxes on the condensed consolidated statements of operations.

(2) Of the \$333.1 million in uncertain tax position liabilities, net, \$301.8 million is related to our tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

The Company's uncertain tax position liabilities, net, which includes interest and tax payments on deposit, were approximately \$333.1 million and \$180.4 million as of June 30, 2024 and December 31, 2023, respectively. The \$152.8 million increase in uncertain tax positions is primarily due to receipt of \$52.4 million in refunds in the current year, as well as \$74.0 million current year accruals, each related to tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E.

The Company recorded interest on uncertain tax positions totaling \$5.9 million and \$0.7 million for the three months ended June 30, 2024 and 2023, respectively, and \$9.5 million and \$1.5 million for the six months ended June 30, 2024 and 2023, respectively, to the provision for income taxes on the condensed consolidated statements of operations, which was primarily related to the tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E and related to a tax position taken related to our inventory costs for tax purposes in our Florida dispensaries.

As of June 30, 2024, the Company has tax payments on deposit of \$139.5 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 a 0% ownership interest in these entities as of June 30, 2024.

The summarized assets and liabilities of the Company's consolidated VIEs in which the Company does not hold a majority interest are presented in the table below as of the periods presented and include third-party assets and liabilities of the Company's VIEs only and exclude intercompany balances that were eliminated in consolidation.

	June 30, 2024	December 31, 2023
	<i>(in thousands)</i>	
Current assets:		
Cash	\$ —	\$ 9,491
Accounts receivable, net	—	1,308
Inventories	77	8,341
Prepaid expenses	—	423
Other current assets	—	7
Total current assets	77	19,570
Property and equipment, net	79	28,068
Right of use asset - operating, net	—	2,744
Right of use asset - finance, net	—	259
Intangible assets, net	2,099	17,162
Other assets	—	140
Total assets	<u>\$ 2,255</u>	<u>\$ 67,943</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 205	\$ 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	205	4,081
Notes payable	—	885
Operating lease liability	—	2,926
Finance lease liability	—	210
Deferred tax liabilities	—	3,638
Other long-term liabilities	—	671
Total liabilities	<u>\$ 205</u>	<u>\$ 12,411</u>

Consolidated VIE Settlement Transaction

During the three months ended June 30, 2024, the Company entered into a settlement agreement with the non-controlling interest holders of consolidated VIEs in Ohio in which the Company acquired the remaining ownership interest in dispensary businesses and agreed to provide funding and operational support for a cultivation and production business with new unrelated third parties.

The Company re-evaluated the VIEs after settlement and concluded that the Company continues to be the primary beneficiary of the cultivation and production business and there are no longer variable interests in the dispensary businesses as the Company increased its ownership to 100%. As a result, the Company accounted for this settlement as an equity transaction in accordance with ASC Topic 810-10.

NOTE 8. RELATED PARTIES

In the third quarter of 2023, the Company entered into an agreement to rent an asset 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 and \$0.1 million for the three and six months ended June 30, 2024, respectively.

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:

	June 30, 2024	December 31, 2023
	<i>(in thousands)</i>	
Right-of-use assets, net	<u>\$ 645</u>	<u>\$ 706</u>
Lease liabilities:		
Lease liabilities - current portion	\$ 134	\$ 127
Lease liabilities	555	624
Total related parties lease liabilities	<u>\$ 689</u>	<u>\$ 751</u>

Lease expense recognized on related party leases was \$0.1 million and \$0.1 million for the three months ended June 30, 2024 and 2023, respectively, and \$0.1 million and \$0.1 million for the six months ended June 30, 2024 and 2023, respectively.

NOTE 9. DISCONTINUED OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Revenue	\$ —	\$ 4,472	\$ —	\$ 8,347
Cost of goods sold	—	22,902	—	27,031
Gross margin	—	(18,430)	—	(18,684)
Expenses:				
Operating expenses	700	1,994	1,135	4,382
Impairment and disposal of long-lived assets, net	—	41,639	—	69,275
Total expenses	700	43,633	1,135	73,657
Loss from operations	(700)	(62,063)	(1,135)	(92,341)
Other expense:				
Other expense, net	(919)	(1,589)	(1,842)	(3,156)
Total other expense, net	(919)	(1,589)	(1,842)	(3,156)
Loss before income taxes	(1,619)	(63,652)	(2,977)	(95,497)
Income tax benefit	—	(1,144)	—	(630)
Net loss from discontinued operations, net of tax benefit	(1,619)	(64,796)	(2,977)	(96,127)
Less: net loss attributable to non-controlling interest from discontinued operations	—	(670)	—	(1,193)
Net loss from discontinued operations excluding non-controlling interest	<u>\$ (1,619)</u>	<u>\$ (64,126)</u>	<u>\$ (2,977)</u>	<u>\$ (94,934)</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 six months ended June 30, 2024 was nominal.

	Six Months Ended June 30, 2023
	<i>(in thousands)</i>
Depreciation and amortization	\$ 3,452
Purchases of property and equipment	67
Loss on impairment of long-lived assets	69,275
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, including interest, for the construction finance liability associated with discontinued operations as of June 30, 2024, are as follows:

Year	<i>(in thousands)</i>
Remainder of 2024	\$ 2,763
2025	5,619
2026	5,788
2027	5,961
2028	6,140
Thereafter	12,287
Total future payments	<u>\$ 38,558</u>

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.