

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in the Province of Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authority.*

**No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This preliminary prospectus does not constitute a public offering of securities.**

## PRELIMINARY PROSPECTUS

Non-Offering Prospectus

April 7, 2022



**MARIMED INC.**

**No securities are being offered pursuant to this prospectus.**

This non-offering preliminary prospectus (the "**Prospectus**") is being filed by MariMed Inc. (the "**Company**" or "**MariMed**") in the Qualifying Province to enable the Company to become a reporting issuer under the *Securities Act* (Ontario), notwithstanding that no sale of its securities is contemplated herein.

Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by MariMed from its general working capital.

**No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

The outstanding shares of common stock of the Company (the "**Common Shares**") are listed and posted for trading on the OTC Market (the "OTCQX") under the symbol "MRMD". On April 6, 2022, the last trading day before the date of this Prospectus on OTCQX, the closing price of the Common Shares on the OTCQX was US\$0.73.

The Company has applied to list the Common Shares on the Canadian Securities Exchange (the "**CSE**"). Listing will be subject to the Company fulfilling all of the initial listing requirements and conditions of the CSE, including prescribed distribution and financial requirements.

Certain legal matters in connection with this Prospectus have been or will be reviewed on behalf of the Company by Fogler, Rubinoff LLP.

Mr. Robert Fireman, Mr. Jon R. Levine, Timothy Shaw, Dr. Eva Selhub, Mr. David Allen, and Mr. Edward Gildea, executive officers and directors of the Company, reside outside of Canada and have appointed Fogler, Rubinoff LLP, 77 King Street West, Suite 3000, Toronto, ON M5K 1G8, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process. See "*Enforcement of Judgments Against Foreign Persons*".

The Company's head office and registered office is located at 10 Oceana Way, Norwood, MA 02062.

**The Company has not authorized anyone to provide any with information different from that contained or incorporated by reference in this Prospectus. An investment in the securities of the Company is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. See "Risk Factors". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.**

The Company is an entity that currently directly derives a substantial portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal law. The Company is directly involved (through its licensed subsidiaries) in both the adult-use and medical cannabis industry in the States of Illinois, Massachusetts, Delaware, Maryland and Nevada, as permitted within such states under applicable state law which states have regulated such industries.

The cultivation, sale and use of cannabis is illegal under U.S. Federal law pursuant to the Controlled Substance Act (21 U.S.C. §811) (the "CSA"). The U.S. Federal government regulates drugs through the CSA, which catalogs every controlled substance, including cannabis, into a classification, known as a schedule, based on its medical value and potential for abuse. Other than industrial hemp, cannabis is classified as a Schedule I drug. Under U.S. Federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. Under the CSA, the policies and regulations of the U.S. Federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The U.S. Food and Drug Administration ("FDA") has not approved cannabis for the treatment of any disease or condition. The agency has, however, approved one cannabis-derived drug product, Epidiolex, for the treatment of seizures associated with Lennox-Gastaut syndrome or Dravet syndrome.

Despite the current state of U.S. Federal law and the CSA, 37 states within the United States, Washington D.C., and the territories of Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands and Guam have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment for patients with certain qualifying conditions. These states and territories have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, there is no guarantee that such laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of laws within their respective jurisdictions.

The states of Alaska, Arizona, California, Colorado, Connecticut, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, Vermont, Virginia, Washington, and the District of Columbia, have legalized medical and recreational use of cannabis. The states of Alabama, Arkansas, Delaware, Florida, Hawaii, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Hampshire, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Utah, and West Virginia have legalized medical use of cannabis.

Accordingly, in the United States, cannabis is largely regulated at the state level. State laws that permit and regulate the production, distribution and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA. Although certain states authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts. The Supremacy Clause of the U.S. Constitution establishes that U.S. Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. District Attorneys (the "Sessions Memo") which rescinded previous guidance from the U.S. Department of Justice ("DOJ") specific to cannabis enforcement in the United States, including the DOJ Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "Cole Memorandum"). With the Cole Memorandum rescinded, U.S. Federal prosecutors were given discretion in determining whether to prosecute cannabis related violations of U.S. Federal law, but no cannabis entities operating legally under state law have been since prosecuted.

In December 2020, the Consolidated Appropriations Act of 2021 was signed into law, which included the federal spending bill prohibiting the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law (the "Rohrabacher-Blumenauer Amendment"). There can be no assurances that the Rohrabacher-Blumenauer Amendment will be included in future appropriations bills or budget resolutions. See "United States Regulatory Environment" for additional information.

It is unclear what impact, if any, Merrick Garland, the current Attorney General under the current Biden administration, will have on U.S. Federal government enforcement policy on cannabis. If the DOJ policy shifts to aggressively pursue financiers or equity owners of cannabis-related business, and U.S. District Attorneys followed such policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the U.S. Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. Federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of U.S. Federal law. If the U.S. Federal government begins to enforce U.S. Federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, on February 8, 2018, the Canadian Securities Administrators published CSA Staff Notice 51-352 – (Revised) Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with United States cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

For these reasons, the Company's operations in the U.S. cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There are significant risks associated with the business of the Company. See the section entitled "Risk Factors" herein.

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## GLOSSARY

"**2014 Cole Memorandum**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**Audit Committee**" means the audit committee of the Company.

"**Bank Secrecy Act**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**Barr Comments**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**Blumenauer-Farr Amendment**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**Board of Directors**" or "**Board**" means the board of directors of the Company.

"**CBD**" means cannabidiol.

"**CDS**" means the Canadian Depository for Securities Limited and/or its subsidiary, CDS Clearing and Depository Services Inc.

"**CEO**" means the Chief Executive Officer of the Company.

"**Cole Memorandum**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**Common Shares**" means the shares of common stock of the Company with a par value of \$0.001 per share. See "*Description of Securities*".

"**Compensation Committee**" means the compensation committee of the Company as more particularly defined in "*Directors and Executive Compensation – Compensation Discussion and Analysis*".

"**Consolidation Plan**" shall have the meaning ascribed to it under "*Description of the Business – Overview*".

"**COVID-19**" means the 2019 novel strain of coronavirus.

"**CSA**" means the *Controlled Substances Act* (21 U.S.C. § 811).

"**CSE**" means the Canadian Securities Exchange.

"**DEA**" means the United States Drug Enforcement Administration.

"**DOJ**" means the United States Department of Justice.

"**DSQ Mortgage**" shall have the meaning ascribed to it under "*Description of the Business – Overview of the Company*".

"**Exchange Act**" means the *United States Securities Exchange Act of 1934*.

"**Farm Bill**" means the *2018 Federal Agriculture Improvement Act*.

"**FDA**" means the United States Food and Drug Administration.

"**FDCA**" means the *United States Federal Food Drug and Cosmetic Act*.

"**FinCEN Memorandum**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**FinCEN**" means the United States Department of the Treasury's Financial Crimes Enforcement Network.

"**FINRA**" means the Financial Industry Regulatory Authority.

"**Form 51-102F6V**" means Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*.

"**forward-looking statements**" has the meaning ascribed to it in "*Forward-Looking Statements*".

"**FSCC**" means First State Compassion Center, the Company's cannabis-licensed client in the state of Delaware.

"**Hadron**" means Hadron Healthcare Master Fund.

"**Harvest**" means The Harvest Foundation LLC, the Company's wholly-owned subsidiary existing under the laws of Nevada.

"**Hemp Act**" means the *Industrial Hemp Research and Development Act*.

"**HEROES Act**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**HIPAA**" means the *Health Insurance Portability and Accountability Act of 1996*.

"**IDFPR**" means the Illinois Department of Financial & Professional Regulation.

"**IRS**" means the Internal Revenue Service.

"**Kind**" means Kind Therapeutics USA Inc., a holder of cannabis licenses in Maryland.

"**Kind MOU**" means the memorandum of understanding between the Company and the members of Kind negotiated and entered into for the Company to acquire 100% of the membership interests of Kind in December 2018.

"**Kind MSA**" means the management services agreement entered into December 2018 between MariMed Advisors Inc, the Company's wholly owned subsidiary, and Kind to provide Kind with comprehensive management services in connection with the business and operations of Kind.

"**Kind Lease**" means the 20-year lease between Mari Holdings MD LLC, the Company's majority-owned subsidiary, and Kind for Kind's utilization of the Hagerstown, MD facility.

"**KPGs**" means KPG of Anna LLC and KPG of Harrisburg LLC, the Company's wholly-owned subsidiaries existing under the laws Illinois.

"**Mari-IL**" Mari Holdings IL LLC, the Company's wholly-owned subsidiary existing under the laws Illinois.

"**MariMed**" or the "**Company**" means MariMed Inc., a corporation existing under the laws of Delaware.

"**MCCC**" means the Massachusetts Cannabis Control Commission.

"**MD&A**" means the Company's management's discussion and analysis of financial condition and results of operations included in its quarterly and annual filings with the SEC.

"**Metro**" means Mari Holdings Metropolis LLC, the Company's 70% owned subsidiary existing under the laws Illinois.

"**MMCC**" means the Maryland Medical Cannabis Commission.

"**MOU**" means the Memorandum of Understanding signed by TMX Group, Aequitas NEO Exchange Inc., the Canadian Securities Exchange, the Toronto Stock Exchange, and the TSXV dated February 8, 2018.

"**MSO**" means a multi-state operator of cannabis facilities in the United States.

"**MUMP**" means Medical Use of Marijuana Program in the State of Massachusetts.

"**NEO**" shall have the meaning ascribed to it in "*Directors and Executive Compensation*".

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.



"**NP 58-201**" means National Policy 58-201 – *Corporate Governance Guidelines*.

"**OFAC**" means the United States Department of Treasury's Office of Foreign Assets Control.

"**Options**" shall have the meaning ascribed to it in "*Options to Purchase Common Shares*".

"**Prohibited Person**" means a prohibited person as defined by the *USA PATRIOT Act*, *United States Executive Order 13224*, and other relevant legislation and regulations, including regulations promulgated by OFAC.

"**Prospectus**" means this non-offering preliminary prospectus being filed by the Company.

"**Qualifying Province**" means the Province of Ontario.

"**RMD**" means Registered Marijuana Dispensaries in the State of Massachusetts.

"**Rohrabacher/Blumenauer Amendment**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**SAFE Banking Act**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**SAR**" means the Suspicious Activity Report required to be submitted by financial institutions in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws under the FinCEN Memorandum.

"**SEC**" means the United States Securities and Exchange Commission.

"**Section 280E**" means section 280E of the *United States Internal Revenue Code of 1986*, as amended.

"**Series B Holders**" means the holders of shares of Series B Preferred Shares. See "*Description of Securities*".

"**Series B Preferred Shares**" means the shares of Series B convertible preferred stock of the Company with a par value of \$0.001 per share. See "*Description of Securities*".

"**Series C Preferred Shares**" means the shares of Series C convertible preferred stock of the Company with a par value of \$0.001 per share. See "*Description of Securities*".

"**Sessions Memorandum**" shall have the meaning ascribed to it in "*Regulatory Framework – United States Federal Overview*".

"**Staff Notice 51-352**" means the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana related Activities* dated February 8, 2018.

"**Stock Option Plan**" means the stock option plan of the Company, as more particularly defined in "*Directors and Executive Compensation – Stock Option Plan*".

"**Strategic Growth Plan**" shall have the meaning ascribed to it under "*Description of the Business – Overview of the Company*".

"**THC**" means tetrahydrocannabinol.

"**U.S. GAAP**" means United States generally accepted accounting principles.

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended.

"**United States**", or "U.S." means the United States of America, its territories, possessions, and the District of Columbia.

"**U.S. Tax Code**" shall have the meaning ascribed to it under "*Regulatory Framework – United States Federal Overview*".

"**USA PATRIOT Act**" means the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*.

"USCBP" means the United States Custom and Border Protection.

"USDA" means the United States Department of Agriculture.

"VWAP" means the daily volume weighted average price of Common Shares.

## GENERAL MATTERS

Unless the context otherwise requires, any references in this Prospectus to the "Company" or "MariMed" refer to MariMed Inc. and its subsidiaries.

## MARKET RESEARCH AND PUBLIC DATA

This Prospectus also contains or references certain market, industry and peer group data which is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although the Company believes these sources to be generally reliable, such information is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties. The Company has not independently verified any of the data from third party sources referred to in this Prospectus and accordingly, the accuracy and completeness of such data is not guaranteed. In addition, projections, assumptions and estimates of the Company's future performance or the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this Prospectus under "Risk Factors" and "Forward-Looking Statements".

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements and forward looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to the Company's current expectations and views of future events or future performance. All statements other than statements of historical fact may be forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary", "Description of the Business", "Management's Discussion and Analysis" and "Risk Factors".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "could", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company's business objectives;
- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing, and changes to its dividend policies;
- the Company's intention to complete the listing of the Common Shares on the CSE;
- the legalization and regulatory control of cannabis for recreational use in the United States and elsewhere including federal, state and municipal regulations pertaining thereto and the related timing thereof and the Company's intention and ability to participate in such market;
- the Company's expectations regarding the sufficiency of its compliance programs in respect of cannabis regulation;
- the ability of the Company to build and maintain strategic partnerships with cannabis brands in the United States;
- the ability of the Company's and its affiliates to maintain their current licenses, obtain additional licenses and ability to achieve their business objectives;

- the Company's and its affiliate's compliance with cannabis legislation;
- the outcomes of certain litigation and regulatory matters;
- the U.S. Federal government appealing any federal prohibitions on cannabis;
- the impact of the risks associated with the Company's access to banking, bankruptcy protection and traditional sources of financing;
- the devotion of resources and priorities of government officials with respect to the enforcement cannabis related laws in the United States and the potential effects thereof;
- the impact of the re-categorization of cannabis in United States legislation as a non-Schedule I controlled substance;
- the impact of COVID-19 on the Company;
- the tax treatment of the Company;
- the preparation and filing of this Prospectus;
- the impact of competition on the Company;
- the intentions of the Board of Directors with respect to the executive compensation plans and corporate governance plans described herein;
- the sufficiency of cash flows and working capital to achieve the Company's stated business objectives;
- the use of the Company's available funds during the next 12-months;
- expected cash flow from operations during the next 12-months; and
- the Company's ability to market successfully to customers.

Certain of the forward-looking statements and forward-looking information and other information contained in this Prospectus concerning the cannabis industry and the markets in which the Company operates, including general expectations and market position, market opportunities and market share, is based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third party information. See "*Market Research and Public Data*".

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*".

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Information contained in forward-looking statements in this Prospectus is provided as of the date of this Prospectus, and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

## **FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS**

The following financial statements have been prepared in accordance with U.S. GAAP and are included in this Prospectus under Schedule "A":

### **Schedule "A" - Company Financial Statements and Management's Discussion and Analysis**

- Audited consolidated financial statements of the Company for the years ended December 31, 2021 and December 31, 2020; and
- Management's discussion and analysis of financial condition and results of operations of the Company at and for the years ended December 31, 2021 and December 31, 2020.

## PROSPECTUS SUMMARY

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Prospective investors should carefully consider, among other things, the matters discussed under "Risk Factors".

**The Issuer:** The Company was incorporated in the state of Delaware in January 2011 as a wholly-owned subsidiary of Worlds Inc. under the name Worlds Online Inc., which was later spun-off to its stockholders. At its inception, Worlds Online Inc. operated online virtual environments. In 2014, the Company transitioned its operational focus to the emerging cannabis industry and led the effort to win the cannabis license in Delaware on behalf of its client. To date, the Company has won a total of 17 cannabis licenses on behalf of itself and its cannabis clients. The Company's registered and head office is located at 10 Oceana Way, Norwood, MA 02062. See "Corporate Structure".

**Business of Issuer:** MariMed, a multi-state cannabis operator, is dedicated to improving lives every day, through its high-quality products, its actions, and its values. The Company develops, owns, and manages seed to sale state-licensed cannabis facilities, which are models of excellence in horticultural principles, cannabis cultivation, cannabis-infused products, and dispensary operations. MariMed has an experienced management team that has produced consistent growth and success for the Company and its managed business units. Proprietary formulations created by the Company's technicians are embedded in its top-selling and award-winning products and brands, including Betty's Eddies™, Nature's Heritage™, Bourne Baking Co.™, and Kalm Fusion™. The Company is involved in both the adult-use and medical cannabis industry in the states of Delaware, Illinois, Maryland, Massachusetts, and Nevada. See "Description of the Business".

**Summary Financial Information** The following table sets forth selected financial information that has been derived from and is qualified in its entirety by the Company's audited financial statements and accompanying notes for the financial years ended December 31, 2021 and December 31, 2020, in each case prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and presented elsewhere in this Prospectus.

The selected financial information should be read in conjunction with the Company's management's discussion and analysis of financial condition and results of operations (the "MD&A") for the fiscal years ended December 31, 2021 and December 31, 2020 included the Company's Form-10-K filings with the SEC, and the financial statements and accompanying notes contained elsewhere in this Prospectus. The selected financial information set out below may not be indicative of the Company's future performance. See "Description of the Business – Summary of Financial Information" and "Management's Discussion and Analysis".

	Year Ended December 31, 2021 (Audited) US\$	Year Ended December 31, 2020 (Audited) US\$
Revenues	121,464,158	50,895,151
Cost of revenues	55,201,078	19,570,257
Total operating expenses	39,399,590	16,794,237
Total non-operating expenses, net	3,047,612	10,034,341
Income Taxes	16,192,327	2,067,049
Net income	7,623,551	2,429,267
Earnings per share:		
Basic	0.02	0.01
Diluted	0.02	0.01
Current assets	44,612,977	21,043,221
Total assets	123,204,901	76,445,171
Current liabilities	27,222,569	23,226,611
Total liabilities	49,180,888	53,619,735
Mezzanine equity	37,725,000	14,725,000
Stockholders' equity	36,299,013	8,100,436

**Voting Rights and Conversion Rights** The Company has three classes of shares outstanding: Common Shares, Series B Preferred Shares and Series C Preferred Shares.

The Series B Holders are entitled to cast the number of votes equal to the number of Common Shares into which the Series B Preferred Shares are convertible, together with the holders of Common Shares as a single class, on most matters. However, the affirmative vote or consent of the Series B Holders voting separately as a class is required for certain acts taken by the Company, including the amendment or repeal of certain charter provisions, liquidation or winding up of the Company, creation of stock senior to the Series B Preferred Shares, and/or other acts defined in the certificate of designation. The Series B Preferred Shares shall, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank senior to the Common Shares. The Company shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock of the Company unless the Series B Holders then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B Preferred Shares in an amount calculated pursuant to the certificate of designation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the Series B Holders then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of Common Shares by reason of their ownership thereof, an amount per share equal to \$3.00, plus any dividends declared but unpaid thereon, with any remaining assets distributed pro-rata among the holders of the shares of Series B Preferred Shares and Common Shares, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Shares. At any time on or prior to the six-year anniversary of the issuance date of the Series B Preferred Shares, (i) the Series B Holders have the option to convert their Series B Preferred Shares into Common Shares at a conversion price of \$3.00 per share, without the payment of additional consideration, and (ii) the Company has the option to convert all, but not less than all, Series B Preferred Shares into Common Shares at a conversion price of \$3.00 if the VWAP of Common Shares exceeds \$4.00 per share for at least twenty consecutive trading days prior to the date on which the Company gives notice of such conversion to the Series B Holders.

Each share of Series C Preferred Shares is convertible, at the holder's option, into five Common Shares. The Class C Preferred Shares are zero coupon, non-voting and have a liquidation preference equal to its investment amount (which is \$3.70 per Class C Preferred Share) plus declared but unpaid dividends. Holders of Series C Preferred Shares are entitled to receive dividends on an as-converted basis. Provided that as at least 50% of the Series C Preferred Shares remain outstanding, the holders shall have the right to appoint one observer to the Board and to each of its committees, and appoint a member to the Board if and when a seat becomes available, at which time the observer roles shall terminate. The Class C Preferred Shares impose certain covenants on the Company with respect to the incurrence of new indebtedness, the issuance of additional shares of any designation of preferred stock, and the payment of distributions.

As of the date of this Prospectus, the Company has the following shares outstanding: 335,183,206 Common Shares; 4,908,333 Class B Preferred Shares; and, 6,216,216 Class C Preferred Shares.

**Risk Factors**

An investment in the securities of the Company is speculative and involves a high degree of risk due to the nature of the business of the Company. The risks, uncertainties and other factors, many of which are beyond the control of the Company. The Company cannot assure you that it will successfully address any or all of these risks. Readers should carefully consider the information set out under "*Risk Factors*" and the other information in this Prospectus.

## CORPORATE STRUCTURE

### CURRENCY PRESENTATION AND EXCHANGE RATES

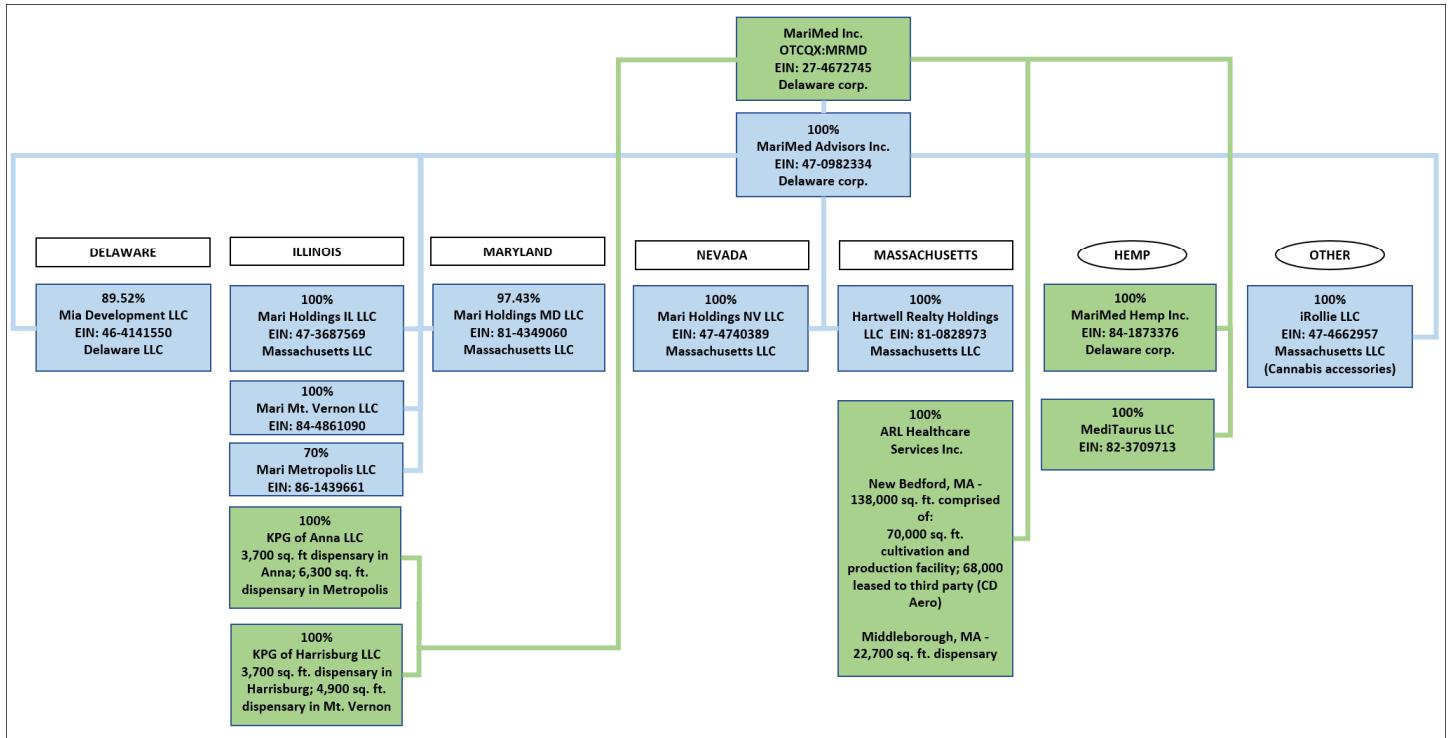
Unless the context otherwise requires, all references to "\$", "US\$" and "dollars" mean references to the lawful money of the United States. The financial statements of the Company and corresponding MD&A included in this Prospectus are presented in United States dollars.

On April 6, 2022, the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US\$1.00 = \$1

#### Name, Address and Incorporation

The Company was incorporated in the state of Delaware in January 2011 as a wholly-owned subsidiary of Worlds Inc. under the name Worlds Online Inc., which was later spun-off to its stockholders. At its inception, Worlds Online Inc. operated online virtual environments. In 2014, the Company transitioned its operational focus to the emerging cannabis industry. In 2017, the Company changed its name to MariMed Inc. The Company's registered and head office is located at 10 Oceana Way, Norwood, MA 02062.

#### Intercorporate Relationships



## DESCRIPTION OF THE BUSINESS

### Overview of the Company

MariMed is a multi-state operator in the United States cannabis industry. The Company develops, operates, manages, and optimizes over 300,000 square feet of state-of-the-art, regulatory-compliant facilities for the cultivation, production and dispensing of medicinal and recreational cannabis. The Company also licenses its proprietary brands of cannabis and hemp-infused products, along with other top brands, in several domestic markets and overseas.

Upon its entry into the cannabis industry in 2014, the Company was an advisory firm that procured state-issued cannabis licenses on behalf of its clients, developed cannabis facilities which it leased to these newly-licensed companies, and provided industry-leading expertise and oversight in all aspects of their cannabis operations. The Company also provided its clients with ongoing regulatory, accounting, real estate, human resources, and administrative services.

Over the last few years, the Company made the strategic decision to transition from a consulting business to a direct owner and operator of cannabis licenses in high-growth states. Core to this transition is the acquisition and consolidation of the Company's clients (the "Consolidation Plan"). Among several benefits, the Consolidation Plan would present a simpler, more transparent financial picture of the full breadth of the Company's efforts, with a clearer representation of the revenues, earnings, and other financial metrics the Company has generated for its clients. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to funding their operations, and to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these businesses and manage the continuing growth of their operations.

To date, the acquisition and consolidation of the Company's client businesses in Massachusetts and Illinois have been completed. The acquisition of a client business in Maryland has been contracted, and the Company is awaiting approval by the Maryland Cannabis Control Commission, which is pending. Upon approval, this entity will be consolidated. The acquisitions of the remaining businesses located in Nevada and Delaware are at various stages of completion and subject to each state's laws governing the ownership transfer of cannabis licenses and other closing conditions. Delaware will require a modification of current cannabis ownership laws to permit for-profit ownership, which is expected to occur when the state legalizes recreational adult-use cannabis. Until the law changes and the acquisition is approved, the Company continues to generate revenue from rental income, management fees, and licensing royalties.

The transition to a fully integrated multi-state cannabis operator ("**MSO**") is part of a strategic growth plan (the "**Strategic Growth Plan**") the Company is implementing to drive its revenues and profitability. The Strategic Growth Plan has four components: (i) complete the Consolidation Plan, (ii) increase revenues in existing states, by spending capital to increase the Company's cultivation and production capacity, and develop additional assets within those states, (iii) expand the Company's footprint in additional legal cannabis states through new applications and acquisitions of existing cannabis businesses, and (iv) optimize the Company's brand portfolio and licensing revenue by expanding into additional states with legal cannabis programs.

The Company has created its own brands of cannabis flower, concentrates, and precision-dosed products utilizing proprietary strains and formulations. These products are developed by the Company in cooperation with state-licensed operators who meet the Company's strict quality standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its brands and product formulations only to certified manufacturing professionals who follow state cannabis laws and adhere to the Company's precise scientific formulations and product recipes.

The Company markets its high-quality cannabis flowers and concentrates under the award-winning<sup>1</sup> Nature's Heritage brand; cannabis-infused chewable tablets and powder drink mixes under the brand names Kalm Fusion and K Fusion; all natural fruit chews under the award-winning<sup>1</sup> Betty's Eddies brand; and brownies, cookies, and other social sweets under the Bubby's Baked brand. The Company's cannabis-infused brands have been top-selling products in Maryland and Massachusetts.<sup>2</sup> The Company intends to introduce additional product lines under these brands in the foreseeable future.

The Company also has strategic alliances with prominent brands. The Company has partnered with renowned ice cream maker Emack & Bolio's to create a line-up of cannabis-infused vegan and dairy ice cream. Additionally, the Company has secured distribution rights for the Binske® line of cannabis products crafted from premium artisan ingredients, the Healer line of medical full-spectrum cannabis tinctures, and the clinically-tested medicinal cannabis strains developed in Israel by global medical cannabis research pioneer Tikun Olam.

The Company's operations have improved significantly over the past year as reflected in the following financial highlights:



- Revenues increased 139% to approximately \$121.5 million in 2021 from \$50.9 million in 2020;
- Adjusted EBITDA<sup>3</sup> increased 144% to approximately \$43.1 million in 2021 compared to \$17.7 million in 2020;
- Total assets increased to approximately \$123.2 million in 2021 from \$76.4 million in 2020; and
- Cash and cash equivalents increased to approximately \$29.7 million in 2021 from \$3.0 million in 2020.

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<sup>1</sup> Awards won by the Company's Betty's Eddies brand include LeafLink 2021 Best Selling Medical Product, Reddit Sparkie 2021 Best Edible, Respect My Region 2021 Hottest Edible, LeafLink 2020 Industry Innovator, and Explore Maryland Cannabis 2020 Edible of the Year. Awards won by the Company's Nature's Heritage brand include the Cultivators Cup 2021 Silver Medal and the High Times Cannabis Cup 2021 Bronze Medal.

<sup>2</sup> Source: LeafLink Insights 2020.

<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measurement that is defined in Management's Discussion And Analysis Of Financial Condition And Results Of Operations within its Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 16, 2022 . The Company's strengths can be summarized as follows:

#### Professional Management

The Company's management is one of the most experienced and long-tenured in the cannabis industry. It has had considerable success creating and growing business in the industry by successfully applying for cannabis licenses on behalf of its clients, overseeing the development of such clients' cannabis operations and security plans; sourcing real estate for cannabis facilities in receptive municipalities; raising capital to purchase and develop facilities; and adhering operations to regulations established by individual state governments, including all environmental and social governance requirements. The knowledge and experience of the Company's management team provides a solid platform for the Company's direct ownership through consolidation of the organic businesses it developed and for expansion to other opportunities in other cannabis-legal states.

#### Development of State-of-the-Art Cannabis Facilities and Operations

The Company has developed state-of-the-art cannabis cultivation, production, and dispensary facilities in multiple states utilizing the Company's proprietary practices and implementing industry best practices. Its facilities are examples of operational excellence under the Company's proven management policies and processes.

#### Cannabis Brand Creation

The Company has developed unique brands of precision-dosed cannabis-infused products which are currently licensed and distributed in cannabis-legal states. The Company intends to continue expanding both its brand portfolio and the licensing of its branded products into additional cannabis-legal states and overseas.

#### Technological and Scientific Innovation

The Company is diligent in identifying and reviewing the latest sciences and processes applicable to the cultivation, distillation, production, packaging, securing, and distribution of cannabis and cannabis-infused products. The Company has obtained the highest quality cannabis strains and genetics. It is at the leading edge of patient education and physician outreach for cannabis, and it seeks strategic relationships with companies that are at the forefront of extraction and distillation.

#### Education and Knowledge Sharing

The rapid growth of the legal cannabis market presents a global paradigm shift and challenges to medical professionals and consumers who seek scientific knowledge and research regarding the medical benefits of cannabis. The Company provides educational research and studies on its brands and products to its growing community of healthcare professionals and consumers. As cannabis becomes more mainstream, medical providers will need to be educated on how to prescribe or make recommendations to their patients, and consumers will need to learn how to gain the most benefit from certain strains, genetics, or formulations.

As part of its education initiative, the Company intends to assemble a Scientific Advisory Board (the "SAB") that will include knowledgeable medical practitioners and researchers focused on the scientific application of cannabis for health and wellness. The

SAB's goals will include the development of strategies to address the most widespread and debilitating medical and dietary conditions through the utilization of cannabis- and hemp-based therapies.

### **Consolidation Plan**

The Company's Consolidation Plan consists of the strategic decision to acquire and consolidate client cannabis businesses it developed, and in some instances managed and advised, in Massachusetts, Illinois, Maryland, Nevada, and Delaware. When completed, the businesses that are acquired and consolidated will be reported in the Company's financial statements. The following is a summary of the Company's progress towards its Consolidation Plan.

#### **Massachusetts**

In December 2018, the Massachusetts Cannabis Control Commission (the "MCCC") approved the conversion of ARL Healthcare Inc. ("ARL"), the Company's cannabis-licensed client, from a non-profit entity to a for-profit corporation and the transfer of ownership to the Company. ARL holds cannabis licenses for cultivation, production and dispensing.

The Company operates (i) a 10,000 square foot dispensary, developed within its 22,700 square foot property in Middleboro that received approval from the MCCC to commence operations in December 2019, and (ii) a 70,000 square foot cultivation and production facility, developed within its 138,000 square foot property in New Bedford that received approval from the MCCC to commence operations in January 2020. The Company intends to expand the cultivation and production facility throughout the balance of the property in 2023.

The Company entered into an agreement to acquire a second dispensary in Beverly in early 2022, and expects to complete the buildout and commence operations, subject to approval by the MCCC, by the summer of 2022.

#### **Illinois**

In October 2019, the Illinois Department of Financial & Professional Regulation approved the Company's acquisition of KPG of Anna LLC and KPG of Harrisburg LLC, the Company's two cannabis-licensed clients that operate Company-built and -owned medical cannabis dispensaries in the state of Illinois (both entities collectively, the "KPGs"). As part of this transaction, the Company also acquired the selling parties' interests in Mari Holdings IL LLC ("Mari-IL"), the Company's subsidiary which owns the real estate in which the KPGs' dispensaries are located.

Effective October 1, 2019, 100% of the operations of these entities have been consolidated into the Company's financial statements. Additionally, on January 1, 2020, the state of Illinois legalized recreational adult-use cannabis, allowing the Company to operate both medical and recreational adult-use programs in the Anna and Harrisburg dispensaries. A third recreational dispensary was opened in this state in Mt. Vernon in September 2020, and a fourth recreational dispensary was opened in Metropolis in May 2021.

#### **Maryland**

In 2016, the Company and the members of Kind Therapeutics USA Inc., the Company's client in Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis ("Kind"), agreed to a partnership/joint venture whereby Kind would be owned 70% by the Company and 30% by the members of Kind, subject to approval by the Maryland Medical Cannabis Commission ("MMCC"). In reliance thereon, the Company purchased, designed, and developed a 180,000 square foot cultivation and production facility in Hagerstown, MD for occupancy and use by Kind, which became operational in late 2017, and the Company further agreed to manage and finance all aspects of Kind's cannabis business, as Kind had no background or experience in the industry.

In 2018, prior to finalizing the documents confirming the partnership/joint venture, the Company and the members of Kind negotiated and entered into a memorandum of understanding ("MOU") for the Company to acquire 100% of the membership interests of Kind. Also at that time, the parties entered into a management services agreement for the Company to provide Kind with comprehensive management services in connection with the business and operations of Kind, and a 20-year lease agreement for Kind's utilization of the Company's Hagerstown facility. Additionally, in 2019, the Company purchased a 9,000 square foot building in Anne Arundel County which is to be developed into a dispensary to be leased to Kind.

In 2019, the members of Kind sought to renegotiate the terms of the MOU and subsequently sought to renege on both the original partnership/joint venture and the MOU. The Company engaged with the members of Kind in good faith in an attempt to reach updated terms acceptable to both parties, however the members of Kind failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings.

In December 2021, the Company entered into a membership interest purchase agreement with the members of Kind to acquire 100% of the equity ownership of Kind in exchange for \$13,500,000 payable in cash (subject to adjustment) and \$6,500,000 payable by the issuance of four-year 6.0% promissory notes to the members of Kind. The notes shall be secured by a first priority lien on the Company's

property in Hagerstown, MD. Upon execution of the membership interest purchase agreement, the Company deposited, in escrow, the sum of \$5,000,000 as a contract down-payment.

Simultaneously, the Company entered into a membership interest purchase agreement with one of the members of Kind to acquire such member's entire equity ownership interest in (i) Mari Holdings MD LLC ("Mari-MD"), the Company's majority owned subsidiary that owns production and retail cannabis facilities in Hagerstown, MD and Annapolis, MD, and (ii) Mia Development LLC ("Mia"), the Company's majority owned subsidiary that owns production and retail cannabis facilities in Wilmington, DE. The purchase price for the interests in Mari-MD and Mia is \$2,000,000 in the aggregate, payable in cash. Giving effect to the purchase of these interests, the Company will own approximately 99.7% and 94.3%, respectively, of Mari-MD and Mia.

The closings under the foregoing agreements are subject to the fulfillment of closing conditions including, but not limited to, approval by the MMCC, which is pending. There is no assurance that the approval of the MMCC will be obtained or that the further closing conditions will be met. Simultaneous with the closing of the transactions contemplated by the foregoing agreements, the aforementioned litigation between the parties will be dismissed. For further information, see Part I, Item 3. *Legal Proceedings* in this report.

#### Nevada

In 2019, the Company entered into a purchase agreement to acquire 100% of the ownership interests of The Harvest Foundation LLC ("Harvest"), its cannabis-licensed client. Harvest holds both medical and adult-use cannabis cultivation licenses, and operates in a 10,000 square foot cannabis cultivation facility developed with the Company. Upon the approval of the transaction by the state authority, and the fulfillment of other closing conditions, the ownership of Harvest will be transferred to the Company, and the operations of Harvest will begin to be consolidated into the Company's financial statements. There is no assurance that the closing conditions to the Company's acquisition of Harvest, including approval by the state authority, will be achieved or that the acquisition will be consummated

#### Delaware

Delaware's current cannabis program is for medical use only, and requires license holders to be not-for-profit entities. The Company provides comprehensive management and real estate services to First State Compassion Center ("FSCC"), its cannabis-licensed client in this state. The Company's validated cannabis experience was instrumental in FSCC being granted Delaware's first ever seed-to-sale medical cannabis license, and two of the six state-wide licenses.

FSCC leases the Company-developed 47,000 square foot seed-to-sale facility in Wilmington and the Company's 4,000 square foot leased retail location in Lewes which the Company developed into a cannabis dispensary. In 2019, the Company signed a lease with an option to purchase a 100,000 square foot building in Milford, which it is currently developing into a second cultivation and production facility for FSCC.

The Delaware medical program has grown to over 10,000 licensed medical patients. FSCC, under the Company's management, is currently operating two of the four cannabis licenses in the state. The additional cultivation and production facility in Milford will bring a much needed supply of product to a state where demand continues to outpace supply.

The state is expected to allow "for-profit" ownership of cannabis licenses when the state legalizes recreational adult-use cannabis, at which time the Company will seek to acquire FSCC and obtain ownership of the licenses and operations, subject to state approval.

### **History of the Company**

The Company was incorporated in the state of Delaware in January 2011 as a wholly-owned subsidiary of Worlds Inc. under the name Worlds Online Inc., which was later spun-off to its stockholders. At its inception, Worlds Online Inc. operated online virtual environments. In 2014, the Company transitioned its operational focus to the emerging cannabis industry and led the effort to win the cannabis license in Delaware on behalf of its client. To date, the Company has won a total of 18 cannabis licenses on behalf of itself and its cannabis clients.

The following is a summary of the Company's history over the past five calendar years:

In 2017, Robert Fireman was named the Company's CEO and President, and Jon R. Levine the CFO, Treasurer, and Secretary. The Company changed its name to MariMed Inc. and its ticker symbol to MRMD, which is quoted on the OTCQX exchange. Also in 2017, the Company acquired the intellectual property, formulations, recipes, know-how, and certain other assets of the Betty's Eddies® brand of cannabis-infused fruit chews.

In October 2018, the Company entered into a purchase agreement to acquire the KPGs, the Company's two cannabis-licensed clients that operate medical marijuana dispensaries in the state of Illinois, and the KPGs' owners' interests in Mari-IL, the Company's subsidiary that owns the real estate where the KPGs' two dispensaries are located. On October 1, 2019, the Illinois Department of Financial and

Professional Regulation approved the Company's acquisition of the KPGs and Mari-IL, and the acquisition transaction was consummated.

In October 2018, the Company's cannabis-licensed client in Massachusetts, ARL, filed a plan of entity conversion with the state to convert from a non-profit entity to a for-profit corporation, with the Company as the sole shareholder of the for-profit corporation. At the time, ARL held three cannabis licenses from the state of Massachusetts for the cultivation, production and dispensing of cannabis. In November 2018, the Company received written confirmation of state approval of the conversion plan, resulting in ARL becoming a wholly-owned subsidiary of the Company.

In November 2018, the Company issued a letter of intent to acquire Harvest, the Company's client awarded a cannabis license for cultivation in the state of Nevada. In August 2019, the parties entered into a purchase agreement governing the transaction. The acquisition is conditional upon state approval of the transaction. At this time, the state has paused the processing of cannabis license transfers, without indicating when it will resume. Upon the resumption of these activities and the ensuing approval by the state, the Company expects to consummate this transaction whereby the operations of Harvest will be consolidated into the Company's financial statements.

In December 2018, the Company and Kind entered into the aforementioned Kind MSA and Kind Lease. In the fall of 2016, the Company and the members of Kind agreed to a partnership/joint venture whereby Kind would be owned 70% by the Company and 30% by the members of Kind. In December 2018, prior to finalizing documents confirming the partnership/joint venture, the Company and the members of Kind negotiated and executed the aforementioned Kind MOU for the Company to acquire 100% of the membership interests of Kind, subject to approval by the MMCC. The Company is currently in litigation with Kind. On December 31, 2021 the Company entered into a settlement agreement with the members of Kind that provides for the Company's acquisition of 100% of Kind, subject to the fulfilment of closing conditions, including, but not limited to approval of the MMCC. There is no assurance that the closing conditions will be achieved and the acquisition consummated. See "*Legal Proceedings and Regulatory Actions Matters*".

In June 2019, the Company acquired a 70% ownership interest of MediTaurus LLC, a company established by Jokubas Ziburkas PhD, a neuroscientist and leading authority on hemp-based CBD and the endocannabinoid system. MediTaurus operates in the United States and Europe and has developed proprietary CBD formulations sold under its Florance™ brand. In September 2021, the Company acquired the remaining 30% ownership interest of MediTaurus.

In October 2019, the Company closed on the purchase of a 9,000 square foot building in Annapolis, MD which it is developing into a medical cannabis dispensary that the Company expects to be completed by June 2022.

In October 2019, the Illinois Department of Financial and Professional Regulation approved the Company's acquisition of the KPGs and Mari-IL, and as of such date, the KPGs and Mari-IL became wholly-owned subsidiaries of the Company.

In January 2020, the Illinois legalized adult-use cannabis, which was added to the Company's two existing cannabis licenses, thereby increasing the Company's operations in Illinois to service both medical and recreational cannabis consumers.

In February 2020, the Company purchased a 4,800 square foot stand-alone retail building in Mt Vernon, IL which it developed into a state-approved adult-use cannabis dispensary that opened in September 2020.

In July 2020, the Company refinanced a mortgage secured by its properties in Massachusetts generating proceeds of \$13.0 million that were used to pay down the initial mortgage and short-term promissory notes.

In February 2021, the Company entered into a five-year lease agreement for a 12,000 square foot premises located in Wilmington, DE which the Company developed into a cannabis production facility with offices, and subleases to its cannabis-licensed client in this state.

In March 2021, the Company entered into a securities purchase agreement with Hadron Healthcare Master Fund with respect to a financing facility of up to \$46.0 million in exchange for newly-designated Series C convertible preferred stock of the Company and warrants to purchase the Company's common stock. The initial proceeds of \$23.0 million from the facility were used to pay down debt, and is being used to upgrade certain of the Company's owned and managed facilities. A portion of the balance of the facility is available to fund the Kind acquisition, provided such acquisition is consummated, including obtaining the necessary regulatory approvals, no later than the end of 2022.

In May 2021, the Company opened its fourth adult-use dispensary in Illinois in the city of Metropolis. The Company had been renting this 14,000 square foot premises since January 2021, which it developed into a state-approved cannabis dispensary in early 2021. In July 2021 the Company purchased the premises.

In August 2021, the Company entered into a manufacturing and royalty agreement with renown ice cream brand Emack & Bolio's® whereby the companies will collaborate to create a line-up of cannabis-infused vegan and dairy ice cream containing the Company's full spectrum of natural cannabinoids and terpenes. This new category of cannabis products is expected to debut in Massachusetts during 2022, followed by launches in other cannabis-legal markets.

In November 2021, in order to qualify for applying to a cannabis dispensary license lottery in Ohio, the Company entered into short-term lease agreements for six retail properties in this state, each property between 4,000 and 6,000 square feet and with a lease term of eleven months. Should the Company be awarded one or more cannabis licenses, it can extend the term of one or more of the lease agreements to ten years (with options to further extend), and develop the premises of such extended leases into cannabis dispensaries. In early 2022, the Company was notified that it was awarded a license, and is awaiting the final verification process to be completed by the state.

In November 2021, the Company entered into an asset purchase agreement to acquire the cannabis license, property lease, and other assets and rights of, and to assume the liabilities and operating obligations associated with a cannabis dispensary that is currently operating in Beverly, MA. The purchase is contingent upon the approval of the Massachusetts Cannabis Control Commission, which is expected by the summer of 2022. Concurrent with the execution of this agreement, the parties entered into a consulting agreement pursuant to which the Company shall provide certain oversight services related to the development, staffing, and operation of the business in exchange for a monthly fee.

In December 2021, the Company entered into a membership interest purchase agreement to acquire 100% of the equity ownership of Kind, the Company's cannabis-licensed client that holds licenses for the cultivation, production and dispensing of medical cannabis in Maryland. The Company is currently waiting for approval of this acquisition from the MMCC, which is pending. Upon approval, the acquisition of Kind will be consummated, Kind's financial results will begin to be consolidated into the Company's financial statements, and the pending litigation between the parties will be dismissed.

Simultaneous with the Kind membership interest purchase agreement, the Company entered into an agreement to acquire a former owner of Kind's equity ownership interests in (i) Mari Holdings MD LLC ("Mari-MD"), the Company's majority owned subsidiary that owns production and retail cannabis facilities in Hagerstown, MD and Annapolis, MD, and (ii) Mia Development LLC ("Mia"), the Company's majority owned subsidiary that owns production and retail cannabis facilities in Wilmington, DE. The acquisition of these interests will be consummated simultaneous with the closing of the Kind acquisition. Giving effect to the purchase of these interests, the Company will own approximately 99.7% and 94.3%, respectively, of Mari-MD and Mia.

In January 2022, the Company entered into a stock purchase agreement to acquire 100% of the ownership interests of Green Growth Group Inc., an entity that has been awarded a craft grow cannabis license issued by the Illinois Department of Agriculture ("IDA") for cultivation, production, and transporting of cannabis and cannabis-infused products in Illinois. The purchase price of \$3,400,000 shall be comprised of \$1,900,000 in cash and shares of the Company's common stock valued at \$1,500,000. The acquisition is conditioned upon the approval by the IDA, among other closing conditions, which is expected to occur by July 2022.

Also in January 2022, the Company entered into an agreement to purchase a 30-acre parcel of land located in Mt. Vernon, IL containing a 33,000 square foot manufacturing facility and a 13,000 square foot storage warehouse, in exchange for \$1,495,000 in cash. Upon execution of the agreement, the Company provided a deposit of \$100,000 to the seller. The transaction is expected to close in the second quarter of 2022, after the Company has performed a complete inspection and feasibility review. If such review determines that the premises will not satisfy the Company's requirements, the Company shall have the right to terminate the agreement with no other obligation other than the loss of the deposit.

In February 2022, the Company was notified that it was awarded a cannabis dispensary license from the state of Ohio, and is awaiting the final verification process to be completed by the state.

## **Summary of Financial Information**

The following table sets forth selected financial information that has been derived from and is qualified in its entirety by the audited financial statements and accompanying notes of the Company for the financial years ended December 31, 2021 and December 31, 2020, in each case prepared in accordance with U.S. GAAP and presented elsewhere in this Prospectus.

The selected financial information should be read in conjunction with the Company's MD&A for the fiscal years ended December 31, 2021 and December 31, 2020, and the financial statements and accompanying notes contained elsewhere in this Prospectus. The selected financial information set out below may not be indicative of the Company's future performance. See "*Risk Factors*" in this Prospectus.

	Year Ended December 31, 2021 (Audited) US\$	Year Ended December 31, 2020 (Audited) US\$
Revenues	121,464,158	50,895,151
Cost of revenues	55,201,078	19,570,257
Total operating expenses	39,399,590	16,794,237
Total non-operating expenses, net	3,047,612	10,034,341
Income Taxes	16,192,327	2,067,049
Net income	7,623,551	2,429,267
Earnings per share:		
Basic	0.02	0.01
Diluted	0.02	0.01
Current assets	44,612,977	21,043,221
Total assets	123,204,901	76,445,171
Current liabilities	27,222,569	23,226,611
Total liabilities	49,180,888	53,619,735
Mezzanine equity	37,725,000	
Stockholders' equity	36,299,013	8,100,436

## Business Objectives

We believe that MariMed brands set the standard for quality cannabis products. The Company has developed state-of-the-art cannabis cultivation, production, and dispensary facilities in multiple states utilizing the Company's proprietary practices and implementing industry best practices. Its facilities are examples of operational excellence under the Company's proven management policies and processes.

Over the course of the forthcoming 12-month period, the Company's primary business objective is to continue execution of the Consolidation Plan and Strategic Growth Plan and support the build-out of cultivation and dispensaries. Such business objective will include the following specific milestones that require the following estimated amount of time and cost, based on management's best estimates. See "*Risk Factors*" in this Prospectus.

Milestone	Time Period	Estimated Costs
Acquire Illinois Craft Grow License	May, 2022	\$3,400,000
Completion of the Kind acquisition	May, 2022	\$22,000,000
Complete the expansion of Maryland production capacity	June 2022	\$1,300,000
Open a dispensary in Maryland	June 2022	\$1,500,000
Complete buildout of IL Craft Grow License Facility	October, 2022	\$5,900,000
Acquire or open two additional dispensaries in Massachusetts	December 2022	\$5,750,000
Complete the expansion of Maryland Cultivation capacity	January 2023	\$5,000,000

## **Properties**

The Company currently owns and leases the following properties throughout the United States.

### **Wilmington, Delaware**

The Company owns a 45,070 square foot facility on 2.25 acres within a fenced-in business park which it purchased in September 2016 and developed into a cannabis cultivation, processing, and dispensary facility. The property is secured under a mortgage with the Bank of New England that matures in 2031. The facility is leased to the Company's cannabis licensee client under a 20-year triple net lease expiring in 2035.

### **Lewes, Delaware**

The Company leases 4,000 square feet of retail space in a multi-use building. This lease commenced in October 2016 and in 2021 the term was extended through April 2027. The Company built out the space into a cannabis dispensary which is subleased under a coterminous sublease to its Delaware cannabis-licensed client.

### **Milford, Delaware**

The Company leases a 100,000 square foot warehouse which it developed into a 60,000 square foot cultivation facility, with plans to develop the remaining square footage into a processing facility. The lease term expires in March 2030, with an option to extend the term for three additional five-year periods. Construction of the processing facility was completed in February 2022. The entire premises is subleased under a coterminous sublease to the Company's Delaware cannabis-licensed client.

### **Anna, Illinois**

The Company owns and operates a 3,400 square foot free-standing cannabis dispensary that is secured under a mortgage with DuQuoin State Bank (the "**DSQ Mortgage**") maturing in 2022, provided it is not annually renewed by the bank, which the bank has done every year of this mortgage .

### **Harrisburg, Illinois**

The Company owns a 3,400 square foot free-standing cannabis dispensary, also secured under the DSQ Mortgage.

### **Mt. Vernon, Illinois**

The Company owns and operates a 4,800 square foot free-standing cannabis dispensary that is secured under a mortgage with South Porte Bank that matures in June 2022.

### **Metropolis, Illinois**

In late 2020, the Company entered into a lease agreement for a 14,000 square foot free-standing retail building. The Company developed the premises into a state-approved adult-use cannabis dispensary in early 2021, and selling operations commenced in May 2021. The premises were purchased by the Company in July 2021, secured under a second mortgage with DuQuoin State Bank that matures in July 2041.

### **Hagerstown, Maryland**

The Company owns a 180,000 square foot manufacturing facility that it developed into cannabis cultivation and production facility. The property secures a \$3 million promissory note which was paid down in March 2021. This facility is leased to the company's cannabis licensed client under a 20-year triple net lease expiring in 2038.

### **Annapolis, Maryland**

The Company owns a free-standing 9,000 square foot industrial building which it is developing into a medical cannabis dispensary that is expected to open in 2022.

### Clark County, Nevada

The Company leases approximately 10,000 square feet of an industrial building that was built into a cannabis cultivation facility. This facility is subleased to the Company's licensed cannabis client under a sub-lease which is coterminous with the Company's lease for 10 years expiring in 2024.

### New Bedford, Massachusetts

The Company owns 138,000 square foot industrial property located on 21.95 acres within the New Bedford Industrial Park. The property secures a mortgage with the Bank of New England that matures in 2027. The Company developed approximately half of the property into a cannabis cultivation and processing facility in which it conducts wholesale operations. The remaining portion of the property is leased to a non-cannabis manufacturing company who will be vacating the premises in 2022. Thereafter, the Company intends to expand its cannabis wholesale operations throughout the entire property.

### Middleborough, Massachusetts

The Company owns and operates a 22,700 square foot retail and warehouse building located in a high-traffic area of this municipality. 10,000 square feet of the building has been developed into a retail dispensary, with the remaining square footage used as a warehouse.

### Norwood Massachusetts

The Company's corporate offices are located in Norwood, Massachusetts. This 10,000 square foot space is under a 10-year lease with a related party that expires in 2028 and contains a 5-year extension option.

## **Revenue**

The Company's main sources of revenue are comprised of the following:

- Product Sales – direct sales of cannabis and cannabis-infused products by the Company's retail dispensaries and wholesale operations in Massachusetts and Illinois, and sales of hemp and hemp-infused products. An increase in product sales is expected from the Company's planned cannabis-licensee acquisitions in Maryland, Nevada, and Delaware (upon this state's amendment to permit for-profit ownership of cannabis entities). This revenue is recognized when products are delivered or at retail points-of-sale.
- Real Estate – rental income and additional rental fees generated from leasing of the Company's state-of-the-art, regulatory-compliant cannabis facilities to its cannabis-licensed clients. Rental income is generally a fixed amount per month that escalates over the respective lease terms, while additional rental fees are based on a percentage of tenant revenues that exceed specified amounts.
- Management – fees for providing the Company's cannabis clients with comprehensive oversight of their cannabis cultivation, production, and dispensary operations. These fees are based on a percentage of such clients' revenue and are recognized after services have been performed.
- Supply Procurement – the Company maintains volume discounts with top national vendors of cultivation and production resources, supplies, and equipment, which the Company acquires and resells to its clients or third parties within the cannabis industry. The Company recognizes this revenue after the delivery and acceptance of goods by the purchaser.
- Licensing – royalties from the licensed distribution of the Company's branded products including Kalm Fusion™ and Betty's Eddies™, and from sublicensing of contracted brands including Healer and Tikun Olam, to regulated dispensaries throughout the United States and Puerto Rico. The recognition of this revenue occurs when the products are delivered.

## **Banking and Processing**

MariMed deposits funds from its dispensary operations into its bank accounts in each respective market. These state-chartered banks are fully aware of the nature of MariMed's business and continue to remain supportive of MariMed's growth plans. MariMed's dispensaries currently accept cash and debit payments. It is anticipated that over time all forms of payment will be accepted by each of the dispensaries.

## **Specialized Skill and Knowledge**

The Company believes that its success is dependent on the performance of its management, employees and partners. The Board of Directors and management of the Company all have significant experience in business and the cannabis industry generally. The Company believes it has adequate personnel with the specialized skills required to successfully carry out its operations.



## **Industry Competition**

The Company's goal is to become a fully integrated MSO of seed-to-sale cannabis operations. The Company is different than some of the other MSOs in that it has organically developed its client businesses from the bottom up, built its own brands and branded products, and has retained its core management team from inception. Other MSOs have raised significantly more capital, including on the Canadian Securities Exchange, and acquired assets in more states than the Company has to date.

Additionally, while the Company has a comprehensive suite of products and services for the cannabis industry, it faces competition from companies of varying sizes and geographic reach, who produce and sell similar products. Some of these companies provide a subset of the Company's product and service offerings, while others are able to provide an equivalent level of the products and services offered by the Company. The Company, using its best practices and operational expertise, is able to produce cannabis products at one of the lowest cost structures in the industry which enables the Company to remain competitive in its markets. That said, the Company's sales could be reduced significantly if its competitors develop and market products that are more effective, more convenient, or are less expensive than its products.

Going forward, as cannabis products become more mainstream and have greater acceptance, it is likely that larger and more established companies, with greater available resources including name recognition and national distribution networks, will enter the field. However, the Company believes that there are many barriers to entry and that to duplicate its licenses, know-how, and facilities would take a years at a great expense. At the same time, the Company believes the emerging cannabis industry is growing at such a pace that there are more opportunities available than current cannabis businesses can support. The Company is upgrading its marketing efforts to expand branding and distribution, as well as database marketing, home delivery, and business tactics developed by more conventional industries that will be important to the cannabis industry as it becomes more mainstream. See "*Risk Factors*".

## **Trademarks**

In efforts to protect and expand the Company's brand, the Company has registered/applied for trademark protection in relation to its business in the United States with respect to the following trademarks:

- (i) the word mark "BETTY'S EDDIES" (Registered);
- (ii) the word mark "KALM FUSION" (Registered);
- (iii) the word mark "NATURE'S HERITAGE" (Registered);
- (iv) the word mark "BUBBY'S BAKED" (Application); and
- (v) the word mark "VIBATIONS" (Application)

The Company has also exclusively licensed the Tropizen® and Binske® brands.

## **Cycles**

The products and services that comprise the Company's business are not considered to be cyclical or seasonal.

## **Employees**

As at the date of this Prospectus, the Company has 326 employees.

## **Geographic Information**

MariMed operates in the legally licensed U.S. states of Delaware, Illinois, Maryland, Massachusetts, and Nevada.

## **Reorganizations**

Since incorporation, the Company has not completed any material reorganization. No material reorganization is currently proposed for the current financial year.

## **Bankruptcy and Similar Procedures**

There are no bankruptcies, receiverships or similar proceedings against the Company nor is the Company aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceeding by the Company since its incorporation.

### **REGULATORY FRAMEWORK**

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company currently has material ancillary involvement as defined in Staff Notice 51-352. The following table is intended to assist readers in identifying those parts of this Prospectus that address the disclosure expectations outlined in Staff Notice 51-352 for issuers that currently have marijuana-related activities in U.S. States where such activity has been authorized within a state regulatory framework.

<b>Industry Involvement</b>	<b>Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties</b>	<b>Prospectus Cross-Reference</b>
All issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>Bold box cover page disclosure</i> <i>Prospectus Summary – Our Business</i> <i>Description of the Business – Overview of the Company</i> <i>Regulatory Framework</i>
	Prominently State that marijuana is illegal under U.S. Federal law and that enforcement of relevant laws is a significant risk.	<i>Bold box cover page disclosure</i> <i>Regulatory Framework</i> <i>Risk Factors – Risks Related to the Cannabis Industry</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities	<i>Bold box cover page disclosure</i> <i>Regulatory Framework – United States Federal Overview</i>
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	<i>Risk Factors – Risks Related to the Company, its Business and Securities – Dependence on other third parties</i>
	Given the illegality of marijuana under U.S. Federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	<i>Risk Factors – Risks Related to the Cannabis Industry – Restricted access to banking and ability to access public and private capital</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross-Reference
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana related activities.	<i>Description of the Business – Overview of the Company</i>  <b>Note: the major operations of the Company are only in the United States.</b>
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable State regulatory frameworks and (b) potential exposure and implications arising from U.S. Federal law	<i>Regulatory Framework – Compliance Summary</i>
<b>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</b>	Outline the regulations for U.S. States in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. State.  Discuss the issuer's program for monitoring compliance with U.S. State law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. State law and the related licensing framework Promptly disclose any noncompliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	<i>Regulatory Framework – State Regulatory Environment</i>  <i>Risk Factors – U.S. State Regulatory Uncertainty</i>
<b>U.S. Marijuana Issuers with indirect involvement in cultivation or distribution</b>	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	<i>Description of the Business – State Level U.S. Cannabis Operations – Maryland, Nevada and Delaware</i>
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any noncompliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's license, business activities or operations.	MariMed is not aware of any non-compliance.
<b>U.S. Marijuana Issuers with material ancillary involvement</b>	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state	Not applicable.

## United States Federal Overview

The U.S. Federal government regulates drugs through the CSA which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. The U.S. Department of Justice (the "**DOJ**") defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." The FDA has not approved cannabis as a safe and effective drug for any condition.

State laws that permit and regulate the production, distribution and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain U.S. states and territories authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company's activities are believed to be compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. Federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

As of the date of this Prospectus, 37 U.S. states, and the District of Columbia and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands have legalized the cultivation and sale of full strength cannabis for medical purposes. In 18 U.S. states, the sale and possession of cannabis is legal for both medical and adult-use, and the District of Columbia has legalized adult-use but not commercial sale. Thirteen states have also enacted low-tetrahydrocannabinol ("**THC**")/ high-cannabidiol ("**CBD**") only laws for medical cannabis patients.

The Obama administration attempted to address the inconsistencies between federal and state regulation of cannabis in a memorandum which then-Deputy Attorney General James Cole sent to all U.S. District Attorneys in August 2013 (the "**Cole Memorandum**") outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis.

On January 4, 2018, during the Trump administration, U.S. Attorney General Jeff Sessions formally issued a new memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities.

While the Biden administration has not yet released clear direction on the Federal path forward for Federal legalization, Vice President Kamala Harris and Xavier Becerra, Secretary of Health and Human Services, have public track records of supporting medical marijuana programs. In addition, Attorney General Merrick Garland has publicly stated that he would de-prioritize enforcement of low-level marijuana crimes such as possession, and he has suggested that federal reforms are closely tied to the larger issue of social justice for minorities. Garland has stated that "It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. I don't think that's a useful use." "I do think we need to be sure there are no end-runs around the state laws that criminal enterprises are doing. So that kind of enforcement should be continued. But I don't think it's a good use of our resources, where states have already authorized. That only confuses people, obviously, within the state."

Since the issuance of the Sessions Memo, limited public comments have been made by the U.S. Attorneys in the jurisdictions in which the reporting issuer operates regarding the enforcement of federal law related to cannabis. In addition to laws at the state level, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and

cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued the Cole Memorandum.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in certain states, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

Congress adopted a so-called "rider" provision to the fiscal years 2015, 2016, 2017 and 2018 Consolidated Appropriations Acts (formerly referred to as the "**Rohrabacher-Blumenauer Amendment**" and now known as the "**Blumenauer-Farr Amendment**") which remains in place and prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The Blumenauer-Farr Amendment was included in the fiscal year 2018 budget passed on March 23, 2018 and the consolidated appropriations bill signed into legislation in February 2019. The Blumenauer-Farr Amendment was also included in the consolidated appropriations bill signed into legislation by then President Trump on December 20, 2019 and remained in effect until September 30, 2020. On October 1, 2020, the Amendment was renewed through the signing of a stopgap spending bill, effective through December 11, 2020. On December 11, 2020, the Blumenauer-Farr Amendment expired, but was included in the 2021 Appropriations Act, HR 133, which then-President Trump signed into law on December 27, 2020. Accordingly, the Blumenauer-Farr Amendment protections are part of the 2021 Appropriations Act through September 30, 2022, barring any additional Congressional action.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. Federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the *United States Currency and Foreign Transactions Reporting Act of 1970* (the "**Bank Secrecy Act**"). Under U.S. Federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

While there has been no change in U.S. Federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. requesting from state licensing and enforcement authorities available information about the business and related parties;
4. developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, marijuana businesses are often forced into becoming "**cash-only**" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. Despite the attempt by FinCEN to legitimize marijuana banking, in practice its guidance has not made banks much more willing to provide services to marijuana businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business they take on as a customer. Recently, some banks that have been servicing marijuana businesses have been closing accounts operated by marijuana businesses and are now refusing to open accounts for new marijuana businesses for the reasons enumerated above.

An additional challenge to marijuana-related businesses is that the provisions of the Internal Revenue Code of 1986 as amended (the "**U.S. Tax Code**"), Section 280E, are being applied by the IRS to businesses operating in the medical and adult use marijuana industry. Section 280E of the U.S. Tax Code prohibits marijuana businesses from deducting certain ordinary and necessary business expenses, forcing them to pay higher effective U.S. Federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

As an industry best practice, the Company does the following:

1. ensures that operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
2. ensures that cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);
3. implements policies and procedures to ensure that cannabis products are not distributed to minors;
4. implements policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;
5. implements an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
6. ensures that state-authorized cannabis business activity is not used as a cover or pretence for trafficking of other illegal drugs, and is not engaged in any other illegal activity, or any activities that are contrary to any applicable anti-money laundering statutes; and
7. ensures that products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company may (and frequently does) conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See "Risk Factors".

## **State Regulatory Environment**

### **STATE LEVEL U.S. CANNABIS OPERATIONS**

#### **Illinois**

##### *Illinois Regulatory Landscape*

The Compassionate Use of Medical Cannabis Pilot Program Act, which allows individuals diagnosed with a debilitating medical condition access to medical marijuana, became effective January 1, 2014. There are more than 50 qualifying conditions as part of the medical program, including epilepsy, traumatic brain injury, and PTSD. Illinois' retail market size for 2020 was \$1 billion, representing a 312% year-over-year increase. On August 28, 2018, the Alternatives to Opioids Act (Public Act 100-1114) was signed into law. The Alternative to Opioids Act significantly expands the Illinois' medical marijuana market by enabling patients to access medical marijuana in place of pharmaceutical opioid medications. The Illinois Department of Public Health reports that there were more than 5.3 million prescriptions for opioid-based painkillers filled last year. This paves the way for the single-largest expansion of the existing Illinois Medical Cannabis Pilot Program, which has about 42,000 authorized patients. Those patients have brought the state about \$200 million in sales tax revenue since the program's inception in late 2015.<sup>1</sup> On August 9, 2019, the "Pilot" status was removed and the medical program became permanent.

The Opioid Alternative Pilot Program launched January 31, 2018 with registration open through the Illinois Department of Public Health. The pilot program is part of the Alternative to Opioids Act, which former Gov. Bruce Rauner signed into law in August 2018, with the aim of combating the opioid epidemic. The pilot program will allow patients that receive or are qualified to receive opioid prescriptions access to medical marijuana as an alternative to prescription opioid medications such as OxyContin, Percocet and Vicodin. Medical Cannabis Pilot Program patients with one of more than 50 qualifying medical conditions designated by the state of Illinois, and a doctor recommendation can also receive a temporary medical cannabis card online and make immediate cannabis purchases without waiting for their permanent card to be processed..

On June 25, 2019, Governor Pritzker signed into law the Cannabis Regulation and Tax Act, thereby legalizing the recreational use of cannabis. Adult use sales of recreational cannabis began in Illinois on January 1, 2020. The adult use program allowed existing medical cannabis license holders to apply for Early Approval Adult Use Dispensing Organization licenses to be able to sell adult use products at existing medical cannabis dispensaries and to have the ability to open a secondary adult use only retail site for every medical cannabis dispensary location existing license holders already had in their portfolio. All Early Approval Adult Use Dispensing Organization license holders were required to commit to the state's Social Equity program either through a financial contribution, grant agreement, donation, incubation program, or sponsorship program.

The Cannabis Regulation and Tax Act also authorized issuance of an additional 75 and 110 Adult Use Dispensing Organization licenses in 2020 and 2021, respectively, but despite a number of state-held lotteries to award these licenses, these licenses have yet to be issued due to a number of legal challenges both to the constitutionality of the application process and to the fairness of the application scoring and lottery processes. It is unclear when these additional dispensary licenses will be awarded.

In July 2021, pursuant to the Cannabis Regulation and Tax Act, the Illinois Department of Agriculture awarded 40 craft grow licenses for the cultivation of adult use cannabis. A craft grow license entitles the license holder to 5,000 square feet of canopy with the possibility of increasing canopy size in 3,000 square foot increments up to a maximum of 14,000 square feet based on meeting certain operational requirements. These increases in canopy size are not automatic and must be approved by the Illinois Department of Agriculture.

##### *Illinois Licenses*

Illinois licenses four types of cannabis businesses within the state: 1) cultivation; 2) processing; 3) transportation; and 4) dispensary. MariMed currently operates four dispensary locations in Illinois.

The KPGs are licensed to operate retail dispensaries in the State of Illinois. The Table below lists the licenses issued to the KPGs in respect of its operations in Illinois. Under applicable laws, the licenses permit the KPGs to sell, and purchase (as applicable) marijuana pursuant to the terms of the licenses, which are issued by the Department of Agriculture and the Department of Financial and Professional Regulation under the provisions of the Illinois Revised Statutes 410 ILCS 130. All licenses are, as of the date hereof, active with the

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<sup>1</sup> Illinois News Network (2018 August 28). New law expands access to medical marijuana in Illinois to curb opioid use [https://www.ilnews.org/news/health/new-law-expands-access-to-medical-marijuana-in-illinois-to/article\\_4b2a156cab0511e8-95a9-037d97496f1a.html](https://www.ilnews.org/news/health/new-law-expands-access-to-medical-marijuana-in-illinois-to/article_4b2a156cab0511e8-95a9-037d97496f1a.html).

State of Illinois. There are two categories of licenses in Illinois: (i) cultivation/ processing and (ii) dispensary. The licenses are independently issued for each approved activity.

All cultivation/processing establishments must register with the Illinois Department of Agriculture. All dispensaries must register with the Illinois Department of Financial and Professional Regulation. If applications contain all required information, and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the Department of Agriculture or Illinois Department of Financial and Professional Regulation and include a renewal form.

*Licenses in the State of Illinois*

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
KPG of Harrisburg, LLC dba Thrive	Registered Medical Cannabis Dispensing Organization Certificate License Number: 280.000031	Harrisburg	03/14/2022	Permit to operate a medical cannabis dispensary
KPG of Anna, LLC dba Thrive	Registered Medical Cannabis Dispensing Organization Certificate License Number: 280.000036	Anna	04/28/2022	Permit to operate a medical cannabis dispensary
KPG of Harrisburg, LLC dba Thrive	Registered Adult Use Dispensing Organization Certificate License Number: AUDO:284.000046	Harrisburg	12/30/22	Permit to operate a recreational cannabis dispensary
	Registered Adult Use Dispensing Organization Certificate License Number: AUDO:284.000066	Mount Vernon	3/31/22	Permit to operate a recreational cannabis dispensary
KPG of Anna, LLC dba Thrive	Registered Adult Use Dispensing Organization Certificate License Number: AUDO:280.000045	Anna	12/30/22	Permit to operate a recreational cannabis dispensary



<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
KPG of Harrisburg, LLC dba Thrive	Registered Medical Cannabis Dispensing Organization Certificate License Number: 280.000031	Harrisburg	03/14/2022	Permit to operate a medical cannabis dispensary
KPG of Anna, LLC dba Thrive	Registered Medical Cannabis Dispensing Organization Certificate License Number: 280.000036	Anna	04/28/2022	Permit to operate a medical cannabis dispensary
	Registered Adult Use Dispensing Organization Certificate License Number: AUDO:280.000122	Metropolis	03/31/22	Permit to operate a recreational cannabis dispensary

### *Illinois License and Regulations*

The medical retail dispensary license permits MariMed to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients. The adult use retail dispensary license permits MariMed to purchase adult use marijuana and marijuana products from cultivation/processing facilities and allows the sale of adult use marijuana and marijuana products to purchasers aged 21 or older.

The medical cultivation licenses permit MariMed to acquire, possess, cultivate, manufacture/process marijuana into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. The adult use cultivation licenses permit MariMed to acquire, possess, cultivate, manufacture/process adult use marijuana into edible marijuana products and/or marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to adult use marijuana dispensaries.

Illinois imposes an income surtax, equal to the amount of federal income tax levied, on any direct or indirect transfer of Illinois license permit.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

### *Illinois Reporting Requirements*

The State of Illinois uses BioTrack as the state's computerized track-and-trace ("T&T") system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. MariMed uses the commercial version of BioTrack as its in-house computerized seed to sale software, which integrates with the state's BioTrack program and captures the required data points for cultivation, manufacturing and retail as required in the Illinois Compassionate Use of Medical Cannabis Pilot Program Act. In February 2019, BioTrackTHC, a subsidiary of Helix TCS Inc., announced that it was requested by the State of Illinois to provide the software solution that will track medical cannabis sales for patients

participating in the state's Opioid Alternative Pilot Program. BioTrackTHC is already responsible for tracking and tracing the state's medical cannabis supply chain, and its software now provides a unified solution for these programs.

### *Illinois Storage and Security Requirements*

As to its cultivation facilities, the regulations require MariMed to store marijuana and marijuana infused products in a safe, vault or secured room in such a manner to prevent diversion, theft or loss. Any marijuana that is not a finished product must likewise be maintained in a secured area within the facility only accessible to authorized personnel. All locks and security equipment safeguarding the marijuana must be kept in good working order, and the storage areas must be locked and protected from unauthorized access at all times.

The cultivation facilities must also have an operational 24-hour, seven days a week, closed circuit television surveillance system on the premises that complies with certain regulatory minimum standards. Access to the surveillance area is restricted to only those people who are essential to surveillance operations, law enforcement agencies, security system service personnel and the regulator. In addition, video surveillance recordings shall be retained for 90 days at the facilities and an additional 90 days off site.

MariMed must also maintain an alarm system at its cultivation facilities. The cultivation facilities must maintain and use a professionally monitored robbery and burglary alarm system that meets certain regulatory minimum standards. A qualified alarm system vendor must test the system annually.

With respect to its Illinois dispensaries, MariMed must store inventory on site in a secured and restricted access area consistent with the security regulations and tracked in accordance with the inventory tracking regulations. Any containers storing medical marijuana that have been tampered with or opened must be stored separately until disposed; such materials can only be stored at the dispensary for one week.

The dispensaries must also implement security measures to deter and prevent entry into and theft from restricted access areas that contain marijuana and/or currency, including having a commercial grade alarm and surveillance system installed by an Illinois licensed private alarm contractor or private alarm contractor agency. The facility must also have security measures to protect the premises, registered qualifying patients, designated caregivers and dispensing organization agents.

### Massachusetts

In November 2015, Massachusetts, a medical cannabis market since January 2013, voted in favor of "Question 4", approving the legalization of adult use. BDS Analytics Inc. projects that the Massachusetts market will grow to over \$1.35 billion by 2024.<sup>2</sup> The Question 4 ballot initiative requiring the state legislature to authorize the adult use of cannabis in the state was approved by the Massachusetts electorate in November 2016. The first adult use dispensaries opened on July 1, 2018. In Massachusetts, Registered Marijuana Dispensaries are "vertically-integrated," which means that they grow, process, and dispense their own marijuana. A Registered Marijuana Dispensary must have a retail facility, as well as cultivation and processing operations.

Massachusetts has a growing population of approximately 6.8 million. The adjoining states represent an additional "tourist" market of approximately 26 million. Existing legislation allows local control policy, allowing local government officials in towns that voted "no" on the 2016 ballot initiative to ban marijuana businesses until December 2019. For towns that voted "yes" in 2016, any bans must be placed on a local ballot for voters to approve. The maximum sales tax rate will increase from 12% to 20%. Under the bill, the state tax will be 17% and the local option will be 3%.

The Medical Use of Marijuana Program (the "MUMP") registers qualifying patients, personal caregivers, Registered Marijuana Dispensaries ("RMD"), and RMD agents. The MUMP was established by Chapter 369 of the Acts of 2012, "An Act for the Humanitarian Medical Use of Marijuana," following the passage of Ballot Question 3 in the 2012 general election. Registered Marijuana Dispensary certifications are vertically integrated licenses in that each RMD license entitles a license holder to (3) cultivation facilities, three (3) processing facilities and up to three (3) dispensary locations. There is a limit of three RMD licenses per person/entity.

### *Massachusetts Regulatory Framework*

The Massachusetts Department regulations 105 CMR 725.000 et seq. provide a regulatory framework that requires licensed producers, which are statutorily defined as "Registered Marijuana Dispensaries", to cultivate, process, transport and dispense medical cannabis in a vertically integrated marketplace. Patients with debilitating medical conditions qualify to participate in the program, including

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<sup>2</sup> <https://bdsa.com/massachusetts-cannabis-sales-on-track-for-record-q1-2020/>

conditions such as cancer, glaucoma, positive status for human immunodeficiency virus (HIV), acquired immune deficiency virus (AIDS), hepatitis C, ALS, Crohn's disease, Parkinson's disease, and multiple sclerosis (MS) when such diseases are debilitating, and other debilitating conditions as determined in writing by a qualifying patient's healthcare provider.

Adult-use cannabis "Marijuana Establishment" are regulated in Massachusetts by the Cannabis Control Commission pursuant to 935 CMR 500.000 et seq. Pursuant to section 500.101(2), RMDs that have received a provisional or final certificate of registration are authorized to apply for a vertically-integrated Marijuana Establishment license on a priority basis over new applicants without a RMD certification. The same application requirements exist for a Marijuana Establishment license as a RMD application, and each owner, officer or member must undergo background checks and fingerprinting with the Cannabis Control Commission. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any and all regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and all owners, officers, principals or members. The application must include the RMD applicant's plans for separating medical and adult-use operations, proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the RMD's existing medical marijuana operating policies and procedures for adult-use including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

The adult-use license application process commenced on April 1, 2018 for existing RMD license holders and on July 1, 2018 for all non-RMD license holders. Existing RMD license holders that timely applied for an adult-use license on or before April 1, 2018 were eligible to receive three adult-use licenses per medical RMD license. Namely, one integrated RMD medical license was eligible, if awarded by the Cannabis Control Commission, to receive three adult-use licenses as follows: one for cultivation, one for processing and one for dispensary. Additionally, there is a 100,000 square foot cultivation canopy for adult-use licenses; however, there is no canopy restriction for RMD license holders relative to their cultivation facility.

#### *Massachusetts Licensing Requirements*

On December 23, 2018, administration and oversight of the Massachusetts Medical Use of Marijuana Program was transferred from the Department of Public Health (DPH) to the Cannabis Control Commission (CCC) which also oversees the adult-use cannabis program. Licensed entities must demonstrate the following: (i) they are licensed and in good standing with the Secretary of the Commonwealth of Massachusetts; (ii) no executive, member or any entity owned or controlled by such executive or member directly or indirectly controls more than three RMD licenses; (iii) vaporizers must be made available for sale; (iv) a RMD may not cultivate and dispense medical cannabis from more than two locations statewide; (v) all dispensary agents must be registered with the Massachusetts Department; (vi) a RMD must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vii) one executive of a RMD must register with the Massachusetts Department of Criminal Justice Information Services on behalf of the entity as an organization user of the Criminal Offender Record Information (iCORI) system; (viii) the RMD applicant has at least US\$500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (ix) payment of the required application fee. In a RMD application, an applicant must also demonstrate or include: (i) the name, address date of birth and resumes of each executive of the applicant and of the members of the entity; (ii) proof of liability insurance coverage in compliance with statutes; (iii) a detailed summary of the business plan for the RMD; (iv) an operational plan for the cultivation of marijuana including a detailed summary of all policies and procedures; and (v) a detailed summary of the operating policies and procedures for the operations of the RMD including security, prevention of diversion, storage of marijuana, transportation of marijuana, inventory procedures, procedures for quality control and testing of product for potential contaminants, procedures for maintaining confidentiality as required by law, personnel policies, dispensing procedures, record keeping procedures, plans for patient education and any plans for patient or personal caregiver home delivery. A RMD applicant must also demonstrate that it has (i) a successful track record of running a business; (ii) a history of providing healthcare services or services providing marijuana for medical purposes in or outside of Massachusetts; (iii) proof of compliance with the laws of the Commonwealth of Massachusetts; (iv) complied with all laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background. Upon the determination by the Massachusetts Department that a RMD applicant has responded to the application requirements in a satisfactory fashion, the RMD applicant is required to pay the applicable registration fee and shall be issued a provisional certificate of registration. Thereafter, the Massachusetts Department shall review architectural plans for the building of the RMD's cultivation facility and/or dispensing facilities, and shall either approve, modify or deny the same. Once approved, the RMD provisional license holder shall construct its facilities in conformance with the requirements of the Massachusetts Regulations. Once the Massachusetts Department completes all inspections and issues approval for a RMD of its facilities, the Massachusetts Department shall issue a final certificate of registration to the RMD applicant. RMD final certificates of registration are valid for one year and shall be renewed by filing the required renewal application no later than sixty days prior to the expiration of the certificate of registration.

### *Massachusetts Licenses*

ARL's 10,000 square foot dispensary, developed within its 22,700 square foot property in Middleboro, received approval from the MCCC to commence operations in December 2019. ARL's 70,000 square foot cultivation and production facility, developed within its 138,000 square foot property in New Bedford, received approval from the MCCC to commence operations in January 2020, with its first harvest completed in the first quarter of 2020. The cultivation and production facility is now operating at full capacity as product demand remains very strong. ARL entered into an agreement to acquire a second dispensary in Beverly in early 2021, and expects to complete the buildout and commence operations, subject to approval by the MCCC, by mid year 2022.

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
ARL Healthcare Inc.	MP281622	New Bedford	04/30/2022	Marijuana Cultivator – Tier 4
ARL Healthcare Inc.	MP281681	New Bedford	04/30/2022	Marijuana Product Manufacturer
ARL Healthcare Inc.	MR282382	Middleboro	04/30/2022	Marijuana Retailer
ARL Healthcare Inc.	RMD-1085	Middleboro/New Bedford	12/14/22	Medical Seed to Sale

Before the expiration date, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiration date after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, MariMed would expect to receive the applicable renewed license in the ordinary course of business. While MariMed's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that licenses will be renewed in the future in a timely manner.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

### *Massachusetts Dispensary Requirements*

A RMD shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on RMD premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that a RMD must comply with. More specifically, a RMD shall comply with all local requirements regarding siting, provided, however, that if no local requirements exist, a RMD shall not be sited within a radius of five hundred feet of a school, daycare center, or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed RMD. There is no specified numeric maximum amount that a RMD may have on its premises. The Massachusetts Regulations require that RMDs must limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. A RMD shall only dispense to a registered qualifying patient who has a current valid certification.

### *Massachusetts Security Requirements*

A RMD shall implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the RMD. These measures must include: (i) allowing only registered qualifying patients, caregivers, dispensary agents, authorized persons, or approved outside contractors access to the RMD facility; (ii) preventing individuals from remaining on

the premises of a RMD if they are not engaging in activities that are permitted; (iii) disposing of marijuana or byproducts in compliance with law; (iv) establishing limited access areas accessible only to authorized personnel; (v) storing all finished marijuana in a secure locked safe or vault; (vi) keeping all equipment, safes, vaults or secured areas securely locked at all times; (vii) ensuring that the outside perimeter of the RMD is sufficiently lit to facilitate surveillance; and (viii) ensuring that all landscaping or foliage outside of the RMD does not allow a person to conceal themselves. A RMD shall also utilize a security/alarm system that: (i) monitors all entry and exit points and windows and doors; (ii) includes a panic/ duress alarm; (iii) includes system failure notifications; (iv) includes 24 hour video surveillance of all safes, vaults, sales areas, areas where marijuana is cultivated, processed or dispensed; and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The RMD shall also maintain a backup alarm system with all of the capabilities of the primary system, and both systems shall be in good working order at all times and shall be inspected and tested on regular intervals.

#### *Massachusetts Transportation*

Marijuana or marijuana-infused products ("MIPs") may only be transported by dispensary agents on behalf of a RMD: (i) between separately-owned RMDs in compliance with 725.105(B)(2) of the Massachusetts Regulations; (ii) between RMD sites owned by the same non-profit entity; (iii) between a RMD and a testing laboratory; (iv) from the RMD to the destruction or disposal site; or (v) from a RMD to the primary residences of registered qualifying patients. A RMD shall staff all transport vehicles with a minimum of two dispensary agents. At least one dispensary agent shall remain with the vehicle at all times that the vehicle contains marijuana or MIPs. Prior to leaving the origination location, a RMD must weigh, inventory, and account for, on video, all marijuana to be transported.

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A RMD shall ensure that all delivery times and routes are randomized. Each dispensary agent shall carry his or her Massachusetts department-issued MUMP ID card at all times when transporting marijuana or MIPs and shall produce it to Massachusetts Department representatives or law enforcement officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. A RMD must document and report any unusual discrepancy in weight or inventory to the Massachusetts Department and local law enforcement within 24 hours. A RMD shall report to the Massachusetts Department and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. A RMD shall retain all transportation manifests for no less than one year and make them available to the Massachusetts Department upon request. Any cash received from a qualifying patient or personal caregiver must be transported to a RMD immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the RMD, be properly registered, and contain a GPS system that is monitored by the RMD during transport of marijuana and said vehicle must be inspected and approved by the Massachusetts Department prior to use.

During transit, a RMD shall ensure that: (i) marijuana or MIPs are transported in a secure, locked storage compartment that is part of the vehicle transporting the marijuana or MIPs; (ii) the storage compartment cannot be easily removed (for example, bolts, fittings, straps or other types of fasteners may not be easily accessible and not capable of being manipulated with commonly available tools); (iii) marijuana or MIPs are not visible from outside the vehicle; and (iv) all product is transported in a vehicle that bears no markings indicating that the vehicle is being used to transport marijuana or MIPs and does not indicate the name of the RMD. Each dispensary agent transporting marijuana or MIPs shall always have access to a secure form of communication with personnel at the origination location that the vehicle contains marijuana or MIPs.

#### *Massachusetts Department Inspections*

The Massachusetts Department or its agents may inspect a RMD and affiliated vehicles at any time without prior notice. A RMD shall immediately upon request make available to the Massachusetts Department all information that may be relevant to a Massachusetts Department inspection, and the Massachusetts Department may direct a RMD to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the RMD, and the RMD shall thereafter submit a Plan of Correction to the Massachusetts Department outlining with particularity each deficiency and the timetable and steps to remediate the same. The Massachusetts Department shall have the authority to suspend or revoke a certificate of registration in accordance with 105 CMR 725.405 of the Regulation of adult-use cannabis in Massachusetts.

#### *Massachusetts Reporting Requirements*

The Commonwealth of Massachusetts uses the MMJ Online system through the Virtual Gateway portal as the state's computerized system for seed-to-sale reporting. Individual licensees, whether directly or through third-party integration systems, are required to push data to the state to meet all reporting requirements.

## Nevada

### *Nevada Regulatory Landscape*

Nevada is one of the most dynamic markets anticipated for the full development of the recreational market. By certain estimates, the recreational market in Nevada is projected to be over \$1 billion by 2024. Medical marijuana use was legalized in Nevada by a ballot initiative in 2000. In November 2016, voters in Nevada passed NRS 435D an adult use marijuana measure to allow for the sale of recreational marijuana in the state. The first dispensaries to sell adult use marijuana began sales in July 2017. Until July 1, 2020, the Nevada Department of Taxation ("**DOT**") was the regulatory agency overseeing the medical and adult use cannabis programs. In 2018, the DOT opened up applications for additional adult use marijuana dispensary licenses. Only those companies that held medical marijuana licenses in the state were eligible to apply. In December 2018, 61 additional marijuana dispensary licenses were issued by the DOT. On July 1, 2020, the DOT was succeeded by the Nevada Cannabis Compliance Board as the state agency overseeing the medical and adult use cannabis programs.

### *Nevada Licenses*

In August 2019, the Company entered into a purchase agreement to acquire 100% of the ownership interests of Harvest, its cannabis-licensed client. Documentation requesting approval of the transaction has been submitted to the state cannabis commission, which is pending. Harvest holds both medical and recreational adult-use cannabis cultivation licenses, and operates in approximately 10,000 square feet of an industrial building that the Company leases and has built out into a cannabis cultivation facility.

### *Nevada License and Regulations*

In Nevada, only cannabis that is grown or produced in the state by a licensed establishment may be sold in the state. There are four principal license categories in Nevada: 1) cultivation; 2) processing; 3) dispensary and 4) delivery.

### *Nevada Reporting Requirements*

The State of Nevada uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. For the Nevada Licenses, Silver State will designate an in-house computerized seed to sale software that will integrate with METRC via API. The chosen seed-to-sale system captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A. For the operating dispensary, Silver State currently uses BioTrackTHC's seed-to-sale solution and anticipates full integration of processes through METRC.

## Maryland

In 2012, a state law was enacted in Maryland to establish a state-regulated medical marijuana program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission (the "**MMCC**") regulates the state program and initially awarded 102 dispensary licenses and 15 cultivation licenses. The Maryland program has resulted in a large medical marijuana market as a result of an expansive list of qualifying conditions (the program was written to allow access to medical marijuana for patients with any condition that is considered "severe: for which other medical treatments have proven ineffective, including: chronic pain, nausea, seizures, and PTSD), less restrictive provisions for obtaining cannabis certifications from doctors, and patient freedom to choose preferred methods of ingestions. The MMCC began to sell through dispensaries on December 1, 2017 and on the day sales began, approximately 15,000 people had signed up to be prospective patients. Almost 550 healthcare providers have registered with Maryland to recommend cannabis to their patients. Maryland has a population of over six million people.

The MMCC grants medical cannabis grower, processor, dispensary and transportation licenses. A licensee may hold a license in each category to obtain vertical integration. The applicant must first seek pre-approval from the MMCC in order to be granted a license. As part of the pre-approval application, the applicant must submit information related to its operations; safety and security; medical cannabis professionalism; retail management factors; business and economic factors; and other additional factors that may apply.

In 2012, a state law was enacted in Maryland to establish a state-regulated medical marijuana program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission regulates the state program and initially awarded 102 dispensary licenses and 15 cultivation licenses. The Maryland program has resulted in a large medical marijuana market as a result of an expansive list of qualifying conditions (the program was written to allow access to medical marijuana for patients with any condition that is considered "severe: for which other medical treatments have proven ineffective, including: chronic pain, nausea, seizures, and PTSD), less restrictive provisions for obtaining cannabis certifications from doctors, and patient freedom to choose preferred methods of ingestions. The Maryland Medical Cannabis Commission began to sell through dispensaries on December

1, 2017 and on the day sales began, approximately 15,000 people had signed up to be prospective patients. Almost 550 healthcare providers have registered with Maryland to recommend cannabis to their patients. Maryland has a population of over 6 million people.

### *Maryland Licensing Requirements*

In order to become a licensed medical cannabis dispensary, each applicant must submit an application detailing the location of the proposed dispensary, the personal details of each principal officer or director, and operating procedures the dispensary will use. All owners, members, shareholders, officers, and directors of dispensary holding a 5% or greater interest in the company must undergo a criminal and financial background checks. All employee, volunteers and personnel who will be working in the dispensary with access to the non-public areas are required to undergo background checks and register as a dispensary agent with the MMCC.

### *Maryland Licenses*

In the fall of 2016, the Company and the members of Kind agreed to a partnership/joint venture whereby Kind would be owned 70% by the Company and 30% by the members of Kind, subject to approval by the MMCC. In reliance thereon, the Company purchased, designed, and developed a 180,000 square foot cultivation and production facility in Hagerstown, MD for occupancy and use by Kind, which became operational in late 2017, and the Company further agreed to manage and finance all aspects of Kind's cannabis business, as Kind had no background or experience in the industry.

Prior to finalizing the documents confirming the partnership/joint venture, the Company and the members of Kind negotiated and entered into the Kind MOU for the Company to acquire 100% of the membership interests of Kind in December 2018. Also at that time, MariMed Advisors Inc, the Company's wholly owned subsidiary, and Kind entered into the Kind MSA, and Mari Holdings MD LLC, the Company's majority-owned subsidiary, entered into the Kind Lease. Additionally, in October 2019, the Company purchased a 9,000 square foot building in Anne Arundel County which is to be developed into a dispensary to be leased to Kind.

In 2019, the members of Kind sought to renegotiate the terms of the Kind MOU and has subsequently sought to renege on both the original partnership/joint venture and the Kind MOU. The Company engaged with the members of Kind in good faith in an attempt to reach updated terms acceptable to both parties, however the members of Kind failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings. As a result, the consummation of this acquisition has been delayed and may not ultimately be completed. On December 31, 2021 the Company entered into a settlement agreement with the members of Kind that provides for the Company's acquisition of 100% of Kind, subject to the fulfilment of closing conditions, including, but not limited to approval of the MMCC. There is no assurance that the closing conditions will be achieved and the acquisition consummated. For further information, see "*Legal Proceedings and Regulatory Actions Matters*" in this Prospectus.

### *Maryland Reporting Requirements*

Once licensed, the medical cannabis dispensary is required to submit to the MMCC quarterly reports including the following information: (i) the number of patients served; (ii) the county of residence of each patient served; (iii) the medical condition for which medical cannabis was recommended; (iv) the type and amount of medical cannabis dispensed; and (v) if available, a summary of clinical outcomes, including adverse events and any cases of suspected diversion. The medical cannabis dispensary must not include any patient personal information in the quarterly report.

### *Maryland Inspections*

Licensees must be inspected by the MMCC prior to receiving approval from the MMCC to be authorized to begin cultivation, processing, and dispensing. Licensees are eligible to apply to renew their license every two years during which time a full inspection of the facility is performed. Spot-inspections may be performed at the dispensary at any time and without advance notice.

### *Maryland Safety and Security Requirements*

As part of the medical cannabis dispensary application, the applicant must provide information about the dispensary's operating procedures consistent with the oversight regulations established by the MMCC, including the following: (i) storage of cannabis and products containing cannabis only in enclosed and locked facilities; (ii) security features and procedures; (iii) how the dispensary will prevent diversion; and (iv) safety procedures. As part of the safety and security requirements, the applicant must detail how the premises will be constructed to prevent unauthorized entry, including a designation of a secured room that meets high-security requirements. The applicant must describe how it would train all registered dispensary agents on safety procedures, including responding to: (i) a medical emergency; (ii) a fire; (iii) a chemical spill; and (iv) a threatening event including: (a) an armed robbery, (b) an invasion, (c) a burglary, or (d) any other criminal incident.

The applicant must describe its security and surveillance plan with information including the following: (i) an alarm system that covers all perimeter entry points, windows, and portals at the premises that: (a) will be continuously monitored; (b) detects smoke and fire capabilities; (c) detects power loss capabilities; (d) includes panic alarm devices mounted at convenient, readily-accessible locations through the licensed premises; (e) inclusion of a second, independent alarm system to protect where records are stored on-and off-site and where any secure room holds medical cannabis; (f) equipped with auxiliary power to continue operation for at least 48 hours; (ii) a video surveillance that: (a) records continuously for 24 hours per day for 365 days a year without interruption, (b) has cameras in fixed places that allow for the clear facial identification and of activities in the controlled areas of the premises, including where medical cannabis is packaged, tested, processed, stored, or dispensed, (c) has the capability of recording clear images and displays the time and date of the recording, and (d) demonstrates a plan for retention of recordings for at least 30 days.

Following licensure, no major renovation or modification may be undertaken without notification to the MMCC. Other than while the dispensary is open for business and one hour before and one hour after, the medical cannabis inventory must be stored in the secure room.

### *Maryland Operating Requirements*

As part of the dispensary application, the applicant must provide information about the dispensary's operations, including the following: (i) communication systems; (ii) facility odor mitigation; and (iii) back-up systems for all cultivation and processing systems. The applicant must establish a standard operating procedure of all aspects of the receipt, storage, packaging, labelling, handling, tracking, and dispensing of products containing medical cannabis and medical cannabis waste.

In addition, the applicant must provide information about the dispensary's medical cannabis professionalism, including the following information: (i) experience, knowledge, and training in training dispensary agents in the science and use of medical cannabis; and (ii) use of a clinical director (optional).

The applicant must also provide information about the dispensary's retail management operations, including the following: (i) a detailed plan to preserve the quality of the medical cannabis; (ii) a plan to minimize any negative impact on the surrounding community and businesses; (iii) a detailed inventory control plan; and (iv) a detailed medical cannabis waste disposal plan.

The business and economic factors of the dispensary business must also detail the following information: (i) a business plan demonstrating a likelihood of success, demonstrating sufficient business ability and experience on the part of the applicant, and providing for appropriate employee working conditions, benefits, and training; (ii) demonstration of adequate capitalization; and (iii) a detailed plan evidencing how the dispensary will enforce the alcohol and drug free workplace policy.

Additional information the applicant must also provide includes the following: (i) demonstration of Maryland residency among the owners and investors; (ii) evidence that the applicant is not in arrears regarding any tax obligation in Maryland or other jurisdictions; and (iii) the medical cannabis extracts and medical cannabis-infused products proposed to be dispensed with proposed cannabinoid profiles, including varieties with high cannabidiol content, and the varieties of routes of administration.

### *Maryland Record Keeping and Inventory Tracking*

Maryland requires use of a seed-to-sale tracking system operated by METRC. Licensees must create and use a perpetual inventory control system that identifies and tracks the stock of medical cannabis from the time it is delivered or produced to the time it is delivered to a patient or qualified caregiver. The applicant must describe how it will assure the integrity of the electronic manifest and inventory control system and that a cannabis transportation agent will continue the chain of custody to a dispensary agent.

The applicant must retain attendance records and ensure dispensary agents are trained on the record retention and standard operating procedure. MMCC regulators have the authority to audit the records of licensees to ensure they comport with the reporting in METRC.

### *Maryland Transportation*

Only licensed medical cannabis growers, processors and authorized secure transportation companies may transport business-to-business packages containing medical cannabis. Dispensaries are not authorized to pick up medical cannabis products from licensed growers or processors. Owners and employees of secure transportation companies must register as transportation agents with the MMCC by undergoing criminal and financial background checks, and they must carry identification cards evidencing that they hold current registration at all times while in possession of medical cannabis. Transportation agents must possess a current, valid driver's license and may not wear any clothing or symbols that indicate ownership or possession of medical cannabis while on duty. Medical cannabis transport vehicles must be approved by the MMCC and shall display current registration from the state, be insured, and may not display any sign or illustration related to medical cannabis or a licensee.



Electronic manifests must accompany all shipments to record the chain of custody and includes (i) the name and address of the shipping licensee; (ii) the shipping licensee's shipment identification number; (iii) the weight and description of each individual package that is part of the shipment, and the total number of individual packages; (iv) the name of the licensee agent that prepared the shipment; (v) the name and address of the receiving licensee; (vi) any special handling or storage instructions; (vii) the date and time the shipment was prepared; (viii) the date and time the package was placed in the secure transport vehicle; and (ix) a listing of any other people who had custody or control over the shipment, and the person's identity, circumstances, duration and disposition.

Dispensary licensees in Maryland are authorized to perform home delivery directly to patients. To do so, the dispensary must (i) independently verify the patient's identification and registration status; (ii) enter the transaction in METRC prior to delivery; (iii) perform the delivery through a registered dispensary agent; and (iv) confirm that the transaction otherwise complies with all other requirements regarding the sale of medical cannabis under applicable regulations. The policy committee of the MMCC recently recommended several changes to the home delivery rules that would require all home delivery be performed using a secure medical cannabis transport vehicle.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the share capital of the Company as at December 31, 2021. The table should be read in conjunction with, and is qualified in its entirety by, the Company's audited financial statements for the year ended December 31, 2021, along with the respective accompanying notes. There have been no material changes in the share capitalization of the Company since December 30, 2021:

<u>As at December 31, 2021</u>	
Common Shares (\$0.001 par value; 700,000,000 shares authorized) <sup>(1)</sup>	334,030,348
Series B Preferred Shares (\$0.001 par value; 4,908,333 shares authorized) <sup>(2)</sup>	4,908,333
Series C Preferred Shares (\$0.001 par value; 6,216,216 shares authorized) <sup>(3)</sup>	6,216,216
Stock options	39,821,671 <sup>(4)</sup>
Warrants	26,351,571 <sup>(5)</sup>

Notes:

- (1) At a shareholder meeting held on September 23, 2021, the shareholders of the Company approved an amendment to the Company's charter increasing the authorized Common Shares of the Company from 500,000,000 shares to 700,000,000 shares, and the corresponding Charter Amendment was filed on September 24, 2021.
- (2) At any time on or prior to the six-year anniversary of the issuance date of the Series B Preferred stock, (i) the Series B Holders have the option to convert their Series B Preferred Shares into Common Shares at a conversion price of \$3.00 per share, without the payment of additional consideration, and (ii) the Company has the option to convert all, but not less than all, Series B Preferred Shares into Common Shares at a conversion price of \$3.00 if the daily volume weighted average price of Common Shares exceeds \$4.00 per share for at least twenty consecutive trading days prior to the date on which the Company gives notice of such conversion to the Series B Holders. See "*Description of Securities – Series B Preferred Shares*".
- (3) Each share of Series C Preferred Shares is convertible, at Hadron's option, into five Common Shares, subject to a "blocker" provision that prohibits Hadron from converting if it would result in Hadron owning five percent or more of the Company's voting securities, See "*Description of Securities – Series C Preferred Shares*".
- (4) Exercise prices ranging from \$0.14 to \$3.725 per share. See "*Executive Compensation – Stock Option Plan*".
- (5) Exercise prices ranging from \$0.114 to \$5.50 per share.

## DIVIDEND POLICY

The Company has not declared dividends on any of its shares in the past and does not intend to pay any in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The MD&As for the fiscal years ended December 31, 2021 and December 31, 2020 are included in Schedule "A" to this Prospectus.

## DESCRIPTION OF SECURITIES

The Company is authorized to issue 750,000,000 shares consisting of 700,000,000 Common Shares, par value \$0.001 per share and 50,000,000 shares of Preferred Shares, par value \$0.001 per share. As of the date of this Prospectus, there are: (i) 335,183,206 Common Shares issued and outstanding; (ii) 4,908,333 Series B Preferred Shares issued and outstanding which are convertible into up to 4,908,333 Common Shares; and (iii) 6,216,216 Series C Preferred Shares issued and outstanding which are convertible into five Common Shares for each share of Series C Preferred Shares for a total of up to 31,081,080 Common Shares upon the conversion of all of the Series C Preferred Shares issued and outstanding.

### Series B Preferred Shares

The holders of Series B Preferred Shares (the "**Series B Holders**") are entitled to cast the number of votes equal to the number of Common Shares into which the Series B Preferred Shares are convertible, together with the holders of Common Shares as a single class, on most matters. However, the affirmative vote or consent of the Series B Holders voting separately as a class is required for certain acts taken by the Company, including the amendment or repeal of certain charter provisions, liquidation or winding up of the Company, creation of stock senior to the Series B Preferred Shares, and/or other acts defined in the certificate of designation.

The Series B Preferred Shares shall, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank senior to the Company's Common Shares. The Company shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock of the Company unless the Series B Holders then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B Preferred Shares in an amount calculated pursuant to the certificate of designation.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the Series B Holders then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of Common Shares by reason of their ownership thereof, an amount per share equal to \$3.00, plus any dividends declared but unpaid thereon, with any remaining assets distributed pro-rata among the holders of the shares of Series B Preferred Shares and Common Shares, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Shares.

At any time on or prior to the six-year anniversary of the issuance date of the Series B Preferred Shares, (i) the Series B Holders have the option to convert their Series B Preferred Shares into Common Shares at a conversion price of \$3.00 per share, without the payment of additional consideration, and (ii) the Company has the option to convert all, but not less than all, Series B Preferred Shares into Common Shares at a conversion price of \$3.00 if the daily volume weighted average price ("**VWAP**") of Common Shares exceeds \$4.00 per share for at least twenty consecutive trading days prior to the date on which the Company gives notice of such conversion to the Series B Holders.

On the day following the six-year anniversary of the issuance of the Series B Preferred Shares, all outstanding Series B Preferred Shares shall automatically convert into Common Shares as follows:

- If the sixty-day VWAP is less than or equal to \$0.50 per share, the Company shall have the option to (i) convert all Series B Preferred Shares into Common Shares at a conversion price of \$1.00 per share, and pay cash to the Series B Holders equal to the difference between the 60-day VWAP and \$3.00 per share, or (ii) pay cash to the Series B Holders equal to \$3.00 per share; or
- If the sixty-day VWAP is greater than \$0.50 per share, the Company shall have the option to (i) convert all Series B Preferred Shares into Common Shares at a conversion price per share equal to the quotient of \$3.00 per share divided by the sixty-day VWAP, or (ii) pay cash to the Series B Holders equal to \$3.00 per share, or (iii) convert all Series B Preferred Shares into

Common Shares at a conversion price per share equal to the sixty-day VWAP per share and pay cash to the Series B Holders at the difference between \$3.00 per share and the sixty-day VWAP per share.

### Series C Preferred Shares

In March 2021, the Company entered into a securities purchase agreement with Hadron Healthcare Master Fund ("**Hadron**") with respect to a financing facility of up to \$46.0 million in exchange for newly-designated Series C Preferred Shares of the Company and warrants to purchase the Company's Common Shares.

At the closing of the transaction in March 2021, Hadron purchased \$23.0 million of Units at a price of \$3.70 per Unit. Each Unit is comprised of one share of Series C Preferred Shares and a four-year warrant to purchase two and one-half Common Shares. Accordingly, the Company issued to Hadron 6,216,216 Series C Preferred Shares and warrants to purchase up to an aggregate of 15,540,540 Common Shares. Each share of Series C Preferred Shares is convertible, at Hadron's option, into five Common Shares, and each warrant is exercisable at an exercise price of \$1.087 per share. The warrants shall be subject to early termination if certain milestones are attained and the market value of the Company's Common Shares reaches certain predetermined levels.

In connection with the closing of the transaction, the Company filed a certificate of designation with respect to the rights and preferences of the Series C Preferred Shares. Such stock is zero coupon, non-voting and has a liquidation preference equal to its investment amount plus declared but unpaid dividends. Holders of Series C Preferred Shares are entitled to receive dividends on an as-converted basis.

The balance of the committed facility of up to an additional \$23.0 million is intended to fund the Company's specific targeted acquisitions provided such acquisitions are contracted in 2021 and consummated, including obtaining the necessary regulatory approvals, no later than the end of 2022. Such funds shall be provided by Hadron on the same aforementioned terms as the initial proceeds.

Provided that as at least 50% of the Series C Preferred Shares remain outstanding, the holders shall have the right to appoint one observer to the Company's board and to each of its board committees, and appoint a member to the Company's board if and when a seat becomes available, at which time the observer roles shall terminate.

The transaction imposes certain covenants on the Company with respect to the incurrence of new indebtedness, the issuance of additional shares of any designation of preferred stock, and the payment of distributions.

### OPTIONS TO PURCHASE COMMON SHARES

As at the date of this Prospectus, pursuant to the Stock Option Plan, a total of **39,821,671** options to acquire Common Shares (the "**Options**") are outstanding, all of which are held by the groups specified below.

<b>Holder of Options</b>	<b>Number of Holders</b>	<b>Number of Common Shares Underlying Options</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
Executive officers	3	22,550,000	\$0.30 - \$0.898	03/31/25 – 10/01/26
Directors (other than those who are also executive officers)	3	700,000	\$0.77 - \$0.992	12/31/22 – 07/09/26
Current and former employees	102	<b>16,561,671</b>	\$0.14 - \$3.725	12/12/22 – 12/30/26
Consultants	4	4,338,921	\$0.225 - \$0.88	10/22/25 – 12/30/26

For a summary of the stock option plan of the Company (the "**Stock Option Plan**"), see "*Director and Executive Compensation – Stock Option Plan*".

## USE OF AVAILABLE FUNDS

The Company is not raising any funds in connection with the filing of this Prospectus and, accordingly, there are no proceeds to be raised by the Company pursuant to this Prospectus. The Company's cash balance as at February 28, 2022 was \$30,262,005. Any short fall for funding investing requirements will come from operating cash flow.

The following table below summarizes the anticipated costs of the Company over the next 12-months:

Use of Available Funds	Amount
Construction of cultivation and retail locations	\$11,500,000
Acquisitions	\$14,500,000
Other capital expenditures	\$5,800,000
<b>TOTAL</b>	<b>\$31,800,000</b>

The Company believes that the anticipated available funds together with cash flow from operations will be sufficient to achieve the Company's objectives over the next twelve months.

Due to the nature and fast pace of the cannabis industry, budgets are regularly reviewed with respect to the success of expenditures and other opportunities which become available to the Company. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may differ from these amounts and allocation. See "*Risk Factors – Discretion in the Available Funds*".

## PRIOR SALES

The following table summarizes details of the securities issued by the Company during the twelve (12) month period prior to the date of this Prospectus.

Date of Issuance	Description of Transaction	Price/Exercise Price per Security	Number of Securities
July 2021	Grant of Options <sup>(1)</sup>	\$0.88	300,000
Various	Grant of Options <sup>(2)</sup>	\$0.88/\$0.898	22,500,000
Various	Grant of Options <sup>(3)</sup>	\$0.505/\$1.00	5,658,500
March 2021	Issuance of Series C Preferred Shares <sup>(4)</sup>	\$3.70 <sup>(5)</sup>	6,216,216
March 2021	Issuance of Common Share Purchase Warrants <sup>(4)</sup>	\$1.087	15,540,540
Various	Issuance of Common Shares <sup>(6)</sup>	\$0.727	6,877
Various	Issuance of Common Shares <sup>(7)</sup>	\$0.711	71,691
Various	Issuance of Common Shares <sup>(8)</sup>	\$0.438	11,413
Various	Issuance of Common Shares <sup>(9)</sup>	\$0.326	6,937,400
Various	Issuance of Common Shares <sup>(10)</sup>	\$0.304	4,610,645
Various	Issuance of Common Shares <sup>(11)</sup>	\$0.30/\$0.45	82,885
Various	Issuance of Common Share Purchase Warrants <sup>(12)</sup>	\$0.82/\$0.83	1,100,000

Notes:

- (1) Issued to directors of the Company. Each Option has an exercise price of \$0.88 and expires on July 9, 2026. Such Options are subject to certain vesting provisions. Directors exclude officers who are also directors.
- (2) Issued to officers of the Company. Each Option has an exercise price ranging from \$0.88 - \$0.898 and expires on dates ranging from July 9, 2026 to October 1, 2026. Such Options are subject to certain vesting provisions.
- (3) Issued to employees of the Company or its subsidiaries. Each Option has an exercise price ranging from \$0.505 - \$1.00 and expires on dates ranging from June 15, 2024 to December 30, 2026. Such Options are subject to certain vesting provisions.
- (4) Issued in connection with the closing of the Series C Preferred Share Unit Offering with Hadron.
- (5) Each Series C Preferred Shares is convertible into five Common Shares.
- (6) Issued to an employee of the Company pursuant to a certain employment agreement.
- (7) Issued to settle a debt obligation.
- (8) Issuance associated with a previously issued subscription.
- (9) Issued upon the conversion of approximately \$2,260,000 of principal and interest on promissory notes.
- (10) Issued upon the conversion of approximately \$1.4 million of principal and interest of outstanding debentures.
- (11) Issued pursuant to the exercise of options to purchase 155,000 Common Shares at prices of \$0.30 and \$0.45 per share. Of these exercised options, 125,000 were exercised on a cashless basis with the exercise prices paid via the surrender of 72,115 Common Shares.
- (12) Issued pursuant to the exercise of Common Share purchase warrants.

### TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the OTCQX under the symbol "MRMD". The following tables set forth information relating to the trading of the Common Shares on the OTCQX for the 12-month period prior to the date of this Prospectus.

<b>Date</b>	<b>Price Range (high - low)</b>	<b>Total Volume</b>
April 1 – •, 2022	\$0.76 - \$0.698	1,883,790
March 2022	\$0.785 - \$0.40	15,364,600
February 2022	\$0.90 - \$0.691	12,454,300
January 2022	\$0.94 - \$0.6669	9,618,800
December 2021	\$0.90 - \$0.62	12,901,000
November 2021	\$0.9753 - \$0.66	16,168,300
October 2021	\$0.9298 - \$0.7039	11,897,600
September 2021	\$1.05 - \$0.88	11,100,500
August 2021	\$1.14 - \$0.82	10,647,900
July 2021	\$0.98 - \$0.75	10,413,700
June 2021	\$1.15 - \$0.92	14,994,500
May 2021	\$1.17 - \$0.718	25,988,400

Date	Price Range (high - low)	Total Volume
April 2021	\$0.799 - \$0.601	13,812,200
March 2021	\$0.89- \$0.68	23,242,400

### PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, to the Company's knowledge, there is no person who owns beneficially, directly or indirectly, more than 10% of the Common Shares outstanding.

### DIRECTORS AND OFFICERS

The following table sets out, for each of the directors and executive officers of the Company, the person's name, province or state and country of residence, position with the Company, principal occupation and, if a director, the date on which the person became a director. Our directors are expected to hold office until the next annual general meeting of shareholders. Directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of **60,357,588** Common Shares, representing 18% of the Common Shares outstanding.

#### Directors and Executive Officers

Name, Province or State and Country of Residence	Position Held	Director/ Executive Officer Since	Principal Occupation at Present and for the 5 Preceding Years
Robert Fireman	President, Chief Executive Officer and Chairman of the Board	2011	President and Chief Executive Officer of the Company (July 2017 to present)
Jon R. Levine	Chief Financial Officer, Treasurer, Secretary and Director	2016	Chief Financial Officer, Treasurer and Secretary (July 2017 to present)
Timothy Shaw	Chief Operating Officer	2021	Chief Operating Officer (July 2021 to Present)
Eva Selhub, M.D. (4)(5)	Director	2019	Dr. Selhub is a board-certified physician, speaker, scientist, executive leadership and performance coach, consultant in the field of corporate wellness and resilience, and an author; from August 1997 to November 2016, instructor and lecturer of medicine at Harvard Medical School, and also during this period, Dr. Selhub simultaneously held other positions at Tufts University, Massachusetts General Hospital, as well as other professional healthcare/medical organizations; from October 2006 to October 2017, senior physician at Benson Henry Institute for Mind/Body Medicine at Massachusetts General

Name, Province or State and Country of Residence	Position Held	Director/ Executive Officer Since	Principal Occupation at Present and for the 5 Preceding Years
			Hospital; and, from August 2016 to present, Adjunct Scientist of Neuroscience at Jean Mayer USDA Human Nutrition Research Center on Aging at Tufts University.
David Allen <sup>(1)(5)</sup>	Director	2019	Mr. Allen is presently Chief Financial Officer of Charlie's Holdings, Inc. (formerly known as True Drinks Holdings, Inc.); from September 2018 to May 2019, Chief Financial Officer of Iconic Brands, Inc; from December 2014 to January 2018, Chief Financial Officer of WPCS International, Inc.; from 2004 to 2017, Chief Financial Officer of Bailey's Express, Inc., a privately held trucking corporation, which filed for Chapter 11 bankruptcy in July 2017, and served as the Chapter 11 Plan Administrator for the bankruptcy case until December 2020, at which time the proceeding was closed.
Edward Gildea <sup>(2)(3)</sup>	Director	2014	Partner in the law firm Fisher Broyles LLP.
Timothy Shaw	Chief Operating Officer	2021	Chief Operating Officer of MariMed since July 2021; prior to that, he was the Chief Operating Officer of MariMed Advisors Inc., the Company's wholly-owned subsidiary, since 2014.

Notes:

- (1) Chairman of the Audit Committee..
- (2) Audit Committee Member.
- (3) Chairman of the Compensation Committee and the Nominating and Corporate Governance Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Nominating and Corporate Governance Committee.

**Biographies**

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five (5) years.

***Robert Fireman, President, Chief Executive Officer and Chairman of the Board, Age: 73***

Mr. Fireman has served as our president and chief executive officer since July 2017. In addition, Mr. Fireman has been a director since our formation, and is a seasoned executive in the building of technology and consumer driven companies. Mr. Fireman was a founder and Director of Consumer Card Marketing, Inc., a pioneer in the development of retail loyalty marketing programs for the supermarket and drug store industries. This company was sold to News America Marketing, a division of News Corp. Mr. Fireman has been a practicing attorney for over 30 years. Mr. Fireman is also the CEO of our wholly-owned subsidiary, MariMed Advisors Inc., a director of Worlds Inc. and a former part owner of Sigal Consulting LLC, a cannabis company we acquired in 2014. He has over ten years of

experience in the emerging cannabis industry across the country. We believe that Mr. Fireman's experience in the emerging cannabis industry and his professional background make him well-qualified to serve as chairman of the Board.

***Jon R. Levine, Chief Financial Officer, Treasurer, Secretary and Director, Age: 56***

Mr. Levine has served as our chief financial officer, treasurer, and secretary since July 2017 and has been a director since 2016. Mr. Levine has over nine years of experience in the cannabis industry. He brings over 19 years of experience in commercial real estate development, management and financial services. Mr. Levine was a partner at Equity Industrial Partners, a national commercial real estate management group. He also has past experience in banking at US Trust Bank as an asset-based lender and in the leasing industry with AT&T Financial Services and New Court Financial as a senior credit officer. Mr. Levine also serves as the CFO of our wholly-owned subsidiary, MariMed Advisors Inc., and in that capacity he has been responsible for the management and reporting of most of the company's revenue and financial transactions. Mr. Levine is a former part owner of Sigal Consulting LLC, a cannabis company we acquired in 2014. We believe that Mr. Levine's experience in the cannabis industry and his professional background make him an important part of our management team and make him well-qualified to serve as a member of the Board.

***Eva Selhub, M.D., Director, Age: 54***

Dr. Selhub has been a director since September 2019. Dr. Selhub is a board-certified physician, speaker, scientist, executive leadership and performance coach, consultant in the field of corporate wellness and resilience, and an author. From August 1997 to November 2016, she served as an instructor and lecturer of medicine at Harvard Medical School. During this period, Dr. Selhub simultaneously held other positions at Tufts University, Massachusetts General Hospital, as well as other professional healthcare/medical organizations. From October 2006 to October 2017, she was a senior physician at Benson Henry Institute for Mind/Body Medicine at Massachusetts General Hospital. From August 2016 to present, she has been an adjunct scientist of neuroscience at Jean Mayer USDA Human Nutrition Research Center on Aging at Tufts University, one of six human nutrition research centers supported by the United States Department of Agriculture. Dr. Selhub received a Bachelor of Arts degree in anthropology from Tufts University in 1989 and her M.D. degree from Boston University School of Medicine in 1994. Dr. Selhub's professional experience and background as a physician, scientist and in mind-body medicine allow her to make valuable contributions to the Board and provide expertise to serve as one of our directors.

***David Allen, Director, Age: 67***

Mr. Allen has been a director since June 2019. He brings over 22 years of experience as a Director, CEO and CFO of public companies. Presently he serves as Chief Financial Officer of Charlie's Holdings, Inc. (formerly known as True Drinks Holdings, Inc.). From September 2018 to May 2019, Mr. Allen served as Chief Financial Officer of Iconic Brands, Inc. Prior to that, from December 2014 to January 2018, Mr. Allen served as the Chief Financial Officer of WPCS International, Inc. From 2004 to 2017, Mr. Allen served as Chief Financial Officer of Bailey's Express, Inc., a privately held trucking corporation, which filed for Chapter 11 bankruptcy in July 2017. Mr. Allen served as the Chapter 11 Plan Administrator for the bankruptcy case until December 2020, at which time the proceeding was closed. From June 2006 to June 2013, Mr. Allen served as the Chief Financial Officer and Executive Vice President of Administration at Converted Organics, Inc., after serving as audit committee chair of the board of Converted Organics. Mr. Allen is currently an Assistant Professor of Accounting at Southern Connecticut State University (SCSU), a position he has held since 2017. For the 12 years prior, he was an Adjunct Professor of Accounting at SCSU and Western Connecticut State University. Mr. Allen is a licensed CPA and holds a bachelor's degree in Accounting and a master's degree in Taxation from Bentley College. Mr. Allen's background as a Director, CEO and CFO of public companies will allow him to make valuable contributions to the Board.

***Edward. Gildea, Director, Age: 70***

Mr. Gildea has been a director since our formation. Since February 2014, Mr. Gildea has been a partner in the law firm Fisher Broyles LLP. From 2006 to 2013, Mr. Gildea was President, Chief Executive Officer and Chairman of Converted Organics Inc., a publicly held green technology company that manufactured and sold an organic fertilizer, made from recycled food waste. Mr. Gildea contributes expertise in areas of mergers & acquisitions, strategic planning, funding, business development, and executive leadership. Mr. Gildea received a B.A. from The College of the Holy Cross and a J.D. from Suffolk University Law School. Mr. Gildea's executive business experience was instrumental in his selection as a member of the Board.

***Timothy Shaw, Chief Operating Officer, Age: 43***

Mr. Shaw has served as our chief operating officer since July 2021. Prior to that he was the chief operating officer of MariMed Advisors Inc., our wholly-owned subsidiary, since 2014. Mr. Shaw brings over 20 years of business leadership and operations excellence to the company, along with deep rooted technical expertise in agriculture, cultivation, hydroponics, processing, facilities management and product development. He has over 10 years of cannabis and horticulture industry experience and is an expert in the cannabis business including licensing, permitting, facility development, cultivation, production, distribution, and retail dispensing. Mr. Shaw is a co-creator



of our Betty's Eddies® brand of all natural fruit chews. He is also a United States Army Veteran where he served for eight years, including four years of active duty.

### **Corporate Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

No director or executive officer of MariMed is, as at the date of this Prospectus, or was, within ten (10) years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including MariMed), that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than thirty (30) consecutive days:

- that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of MariMed, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of MariMed:

- is, as at the date of the Prospectus, or has been within the ten (10) years before the date of the Prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
- has, within the ten (10) years before the date of the Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of MariMed, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Conflicts of interest may arise as a result of the directors and officers of the Company also holding positions as directors or officers of other companies. Such persons also invest and may invest in businesses, including in the cannabis sector, that compete directly or indirectly with the Company or act as customers or suppliers of the Company. Some of the individuals that are directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under applicable laws.

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company as a result of their outside business interests except that: (i) certain of the Company's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies, and (ii) certain of the Company's or its subsidiaries' directors and officers have portfolio investments consisting of minority stakes in businesses that may compete directly or indirectly with the Company or act as a customer of, or supplier to, the Company.

### **Interest of Management and Others in Material Transactions**

The Company's corporate offices are leased from an entity in which the Company's CFO has an investment interest. This lease expires in October 2028 and contains a five-year extension option. In each of the years ended December 31, 2021 and 2020, expenses incurred under this lease approximated \$156,000.

The Company procures nutrients, lab equipment, cultivation supplies, furniture, and tools from an entity owned by the family of the Company's COO. The aggregate purchases from this entity for the years ended December 31, 2021 and 2020 approximated \$156,000 in both years..

The Company pays royalties on the revenue generated from its Betty's Eddies® product line to an entity owned by the Company's COO and its SVP of Sales under a royalty agreement. This agreement was amended effective January 1, 2021 whereby, among other modifications, the royalty percentage changed from 2.5% on all sales of Betty's Eddies® products to (i) 3.0% and 10.0% of wholesale sales of existing products within the product line if sold directly by the Company, or licensed by the Company for sale by third-parties, respectively, and (ii) 0.5% and 1.0% of wholesale sales of future developed products within the product line if sold directly by the Company, or licensed by the Company for sale by third-parties, respectively. The aggregate royalties due to this entity for the years ended December 31, 2021 and 2020 approximated \$266,000 and \$615,000, respectively.

For the years ended December 31, 2021 and 2020, one of the Company's majority owned subsidiaries paid aggregate distributions of approximately \$44,000 and \$30,000, respectively, to the Company's CEO and CFO, who own minority equity interests in such subsidiary.

The Company's mortgages with Bank of New England, DuQuoin State Bank, and South Porte Bank are personally guaranteed by the Company's CEO and CFO.

## DIRECTOR AND EXECUTIVE COMPENSATION

As an "IPO venture issuer" in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* ("**Form 51-102F6V**"), the following disclosure contains a summary of compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, to the directors and NEOs for the most recently completed financial years.

In this section, "NEO" means (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer, (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer, (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the chief executive officer and the chief financial officer at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with Form 51-102F6V, and (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year. For the purposes of this Prospectus, as of the date of this Prospectus, the Company had three (2) NEOs, namely: Robert Fireman, Jon Levine and Timothy Shaw.

### Compensation Discussion and Analysis

The Company operates in a dynamic and rapidly evolving market. To succeed in this environment and to achieve its business and financial objectives, the Company must attract, retain and motivate a highly talented team of executive officers and directors. The Company expects its team of executive officers to possess and demonstrate strong leadership and management capabilities, as well as foster a pioneering culture, which is at the foundation of the Company's success and remains a pivotal part of its operations. The compensation committee of the Company ("**Compensation Committee**") is responsible for assisting the Board of Directors in fulfilling its governance and supervisory responsibilities, and overseeing the human resources, succession planning, and compensation policies, processes and practices. The Compensation Committee is also responsible for ensuring that the compensation policies and practices provide an appropriate balance of risk and reward consistent with the risk profile. The Board of Directors has adopted a written charter for the Compensation Committee setting out its responsibilities for administering the compensation programs and reviewing and making recommendations to the Board of Directors concerning the level and nature of the compensation payable to the directors and officers. The Compensation Committee's oversight includes reviewing objectives, evaluating performance and ensuring that total compensation paid to the executive officers and various other key employees is fair, reasonable and consistent with the objectives of the philosophy and compensation program.

The Compensation Committee is required to evaluate the Company's compensation programs as circumstances require and on an annual basis. As part of this evaluation process, the Compensation Committee is guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to the Company if it were required to find a replacement for a key employee.

The compensation practices are designed to retain, motivate and reward our executive officers for their performance and contribution to our long-term success. The Compensation Committee seeks to compensate executive officers by combining short-term and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives and to align

executive officers' incentives with the Company's performance. The Compensation Committee seeks to tie individual goals to the area of the executive officer's primary responsibility. These goals may include the achievement of specific financial or business development goals. Corporate performance goals are based on financial performance of the Company during the applicable financial year.

In order to achieve its growth objectives, attracting and retaining the right team members is critical. A key part of this is a well-thought out compensation plan that attracts high performers and compensates them for continued achievements.

Agreements with Robert Fireman, Jon Levine and Timothy Shaw have been entered into between such persons and the Company. The Company's executive compensation consists primarily of three elements: (a) base salary; (b) short-term incentives; and (c) long-term incentives. See "*Executive Compensation – Employee Agreements and Termination and Change of Control Benefits*".

### **Compensation of NEOs and Directors, Excluding Compensation Securities**

The following table sets forth the compensation to the NEOs and directors paid by the Company within the three most recently completed fiscal years of the Company, being the years ended December 31, 2021 and December 31, 2020 and December 31, 2019. As the Company continues to expand its business and management team, it expects its executive compensation to align with the standard executive compensation practices of companies similar to the Company.

<b>Name and position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of perquisites (\$)<sup>(1)</sup></b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
Robert Fireman <i>President, Chief Executive Officer and Chairman of the Board</i>	2021	\$273,192	Nil	Nil	Nil	Nil	\$273,192
	2020	\$31,846	Nil	Nil	Nil	Nil	\$31,846
	2019	\$150,000	Nil	Nil	Nil	Nil	\$150,000
Jon R. Levine <i>Chief Financial Officer and Director</i>	2021	\$260,980	Nil	Nil	Nil	Nil	\$260,980
	2020	\$37,846	Nil	Nil	Nil	Nil	\$37,846
	2019	\$150,000	Nil	Nil	Nil	Nil	\$150,000
Timothy Shaw <i>Chief Operating Officer</i>	2021	\$223,269	Nil	Nil	Nil	Nil	\$223,269
	2020	158,139	\$1,751	Nil	Nil	Nil	\$159,890
	2019	\$135,986	Nil	Nil	Nil	Nil	\$135,986
Eva Selhub, M.D. <i>Director</i>	2021	\$25,000	Nil	Nil	Nil	Nil	\$25,000
	2020	\$18,750	Nil	Nil	Nil	Nil	\$18,750
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$) <sup>(1)</sup>	Value of all other compensation (\$)	Total compensation (\$)
David Allen <i>Director</i>	2021	\$25,000	Nil	Nil	Nil	Nil	\$25,000
	2020	\$18,750	Nil	Nil	Nil	Nil	\$18,750
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Edward Gildea <i>Director</i>	2020	\$25,000	Nil	Nil	Nil	Nil	\$25,000
	2020	\$18,750	Nil	Nil	Nil	Nil	\$18,750
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) None of the NEOs or directors are entitled to perquisites or other personal benefits which, in the aggregate, are worth over \$50,000 or over 10% of their base salary.

#### **Employee Agreements and Termination and Change of Control Benefits**

On July 9, 2021, the Company entered into an employment agreement, effective as of July 1, 2021 (the "**Effective Date**"), with each of Robert Fireman (the "**Fireman Employment Agreement**"), Jon R. Levine, the Company's Chief Financial Officer (the "**Levine Employment Agreement**") and Timothy Shaw, the Company's Chief Operating Officer (the "**Shaw Employment Agreement**").

Pursuant to the agreements, each of the executives is entitled to the following compensation:

Name and Principal Position	Annual Base Salary	Bonus
Robert Fireman <i>President, Chief Executive Officer and Chairman of the Board</i>	\$350,000	Discretionary
Jon R. Levine <i>Chief Financial Officer</i>	\$325,000	Discretionary
Timothy Shaw <i>Chief Operating Officer</i>	\$300,000	Discretionary

The following is a brief description of the material terms of the Fireman Employment Agreement:

- **Title** – Chief Executive Officer;
- **Term** – July 1, 2021 through June 30, 2024 (the "**Term**"), subject to earlier termination;

- **Duties** – The executive will have such duties and responsibilities, consistent with past practice, as are customary for the executive's position (including the executive's positions in effect prior to the Effective Date) and any other duties, responsibilities, or offices he may be reasonably assigned by the Board of Directors of the Company;
- **Base compensation** – The executive will be paid a base salary of \$350,000 per year;
- **Incentive compensation** – The executive will be eligible to receive an annual bonus (the "**Performance Bonus**") for each of the Company's fiscal years during the Term, with such annual bonus to have a targeted amount equal to 75% of the executive's base salary for the year. The Performance Bonus, if any, generally will be based on the extent to which performance goals established by the Company for each of such years have been met;
- **Equity compensation** – The executive will be granted non-qualified stock options as follows: (i) for 5,000,000 Common Shares, exercisable at 100% of the fair market value on the date of the agreement, subject to vesting; (ii) for 5,000,000 Common Shares, exercisable at 100% of the fair market value on September 23, 2021, the date that the Company's stockholders approve the amendment to the Stock Option Plan, subject to vesting; and (iii) an additional option grant on each anniversary of the Effective Date in the sole discretion of the Company's Compensation Committee;
- **Termination Payments; Severance** – In the event executive's employment is terminated prior to the end of the Term, the executive will be entitled to any accrued but unpaid base salary, unpaid prior year's Performance Bonus, incurred but unpaid reimbursable expenses, and accrued and unused vacation time. In addition, if the termination of employment is: (i) due to death or Total Disability (as defined), the executive would also be entitled to a pro rata portion of the Performance Bonus, if any, attributable to the year of termination plus medical and group health insurance benefits for a period of six months beginning on the date of termination; and (ii) without Cause (as defined) or with Good Reason (as defined), the executive would also be entitled to a pro rata portion of the Performance Bonus, if any, attributable to the year of termination plus a lump sum severance payment equal to the greater of \$500,000 or his Annualized Pay (as defined);
- **Covenants** – The agreement includes, among other covenants, a covenant not to compete or directly or indirectly solicit employees, agents, consultants or representatives of the Company during the Term and for post-employment periods.

The material terms of the Levine Employment Agreement are the same as the terms of the Fireman Employment Agreement except that Mr. Levine's title is that of Chief Financial Officer and his annual base salary is \$325,000. Similarly, the material terms of the Shaw Employment Agreement are the same as the terms of the Fireman Employment Agreement except that Mr. Shaw's title is that of Chief Operating Officer, his annual base salary is \$300,000, and his initial grants of non-qualified stock options are each for 1,250,000 Common Shares.

### **Stock Options and Other Compensation Securities**

The following table discloses all compensation securities-based awards granted to each director or NEO by the Company that are outstanding as at the date of this Prospectus.

<b>Compensation Securities</b>					
<b>Name</b>	<b>Type of compensation security</b>	<b>Number of Common Shares underlying unexercised Options and percentage of class<sup>(1)(2)</sup></b>	<b>Date of grant</b>	<b>Issue or Exercise price</b>	<b>Expiry Date</b>
Eva Selhub, M.D.	Options	200,000 <sup>(3)</sup>	Sept.262019; July 9/2021	\$0.88/\$0.992.	Sept.25/2024; July 9/2026

Compensation Securities					
Name	Type of compensation security	Number of Common Shares underlying unexercised Options and percentage of class <sup>(1)(2)</sup>	Date of grant	Issue or Exercise price	Expiry Date
Ed Gildea	Options	300,000 <sup>(3)</sup>	Jan.1/2018; Sept. 26/2019	\$0.77/\$0.992	Dec.31/2022; Sept. 25/2024
David Allen	Options	200,000 <sup>(3)</sup>	Sept.26/2019; July 9/2021	\$0.88/\$0.992.	Sept.25/2024; July 9/2026
Timothy Shaw	Options	50,000 <sup>(3)</sup>	April 1, 2020	\$0.30	March 31, 2025
Robert Fireman	Options	5,000,000 <sup>(4)</sup>	July 9, 2021	\$0.88	July 9, 2026 <sup>(2)</sup>
Jon R. Levine	Options	5,000,000 <sup>(4)</sup>	July 9, 2021	\$0.88	July 9, 2026 <sup>(2)</sup>
Timothy Shaw	Options	1,250,000 <sup>(3)</sup>	July 9,2021	\$0.88	July 9, 2026 <sup>(2)</sup>
Robert Fireman	Options	5,000,000 <sup>(4)</sup>	October 1, 2021	\$0.898	October 1, 2026
Jon R. Levine	Options	5,000,000 <sup>(4)</sup>	October 1, 2021	\$0.898	October 1, 2026
Timothy Shaw	Options	1,250,000 <sup>(3)</sup>	October 1, 2021	\$0.898	October 1, 2026

Notes:

- (1) Based on 335,183,206 Common Shares outstanding as of the date of this Prospectus.
- (2) Subject to the terms of the Stock Option Plan, these Options fully vest over three years.
- (3) less than 1%
- (4) Options held by Mr Fireman and Mr Levine represent 2.5%, respectively, of the outstanding common shares

### **Stock Option Plan**

The Company's Amended and Restated 2018 Stock Award and Incentive Plan (the "**Stock Option Plan**") allows for the issuance of up to 70,000,000 Common Shares.

The Stock Option Plan authorizes a broad range of awards, including:

- stock options;
- stock appreciation rights ("**SARs**");
- restricted stock, a grant of actual shares subject to a risk of forfeiture and restrictions on transfer;
- deferred stock, a contractual commitment to deliver shares at a future date; the award may or may not be subject to a risk of forfeiture (we generally refer to forfeitable deferred stock as "restricted stock units," but may be called "stock units," "phantom shares" or by another name);
- other awards based on Common Shares;
- dividend equivalents;

- performance shares or other stock-based performance awards (these include deferred stock or restricted stock awards that may be earned by achieving specific performance objectives);
- cash-based performance awards tied to achievement of specific performance objectives; and
- shares issuable in lieu of rights to cash compensation.

#### Restriction on Repricing; Reload Options; Loans

The Stock Option Plan includes a restriction providing that, without stockholder approval, we will not amend or replace options or SARs previously granted under the Stock Option Plan in a transaction that constitutes a "repricing." For this purpose, a "repricing" is defined as amending the terms of an outstanding option or SAR, including by means of a Stock Option Plan amendment, to lower its exercise price, any other action that is treated as a repricing under generally accepted accounting principles or canceling an option or SAR at a time that its exercise price is equal to or greater than the fair market value of the underlying stock in exchange for another option, SAR, restricted stock, other equity, cash or other property, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. Adjustments to the exercise price or number of shares subject to an option or SAR to account for the effects of a stock split or other extraordinary corporate transaction will not constitute a "repricing."

In addition, the Stock Option Plan:

- provides that no term of an option or SAR can provide for automatic "reload" grants of additional awards upon exercise; and
- prohibits personal loans from MariMed to a participant for payment of the exercise price or withholding taxes relating to any equity award.

#### Description of the Stock Option Plan

The following is a brief description of the material features of the Stock Option Plan.

*Shares Available under the Stock Option Plan.* Under the Stock Option Plan, 70,000,000 Common Shares are reserved for delivery to participants. Common Shares used for awards assumed in an acquisition do not count against the shares reserved under the Stock Option Plan. The Common Shares reserved may be used for any type of award under the Stock Option Plan.

The Stock Option Plan applies the following rules for counting Common Shares and recapturing Common Shares not delivered in connection with Stock Option Plan awards: Common Shares actually delivered to participants in connection with an award will be counted against the number of Common Shares reserved under the Stock Option Plan. Common Shares will remain available for new awards if an award under the Stock Option Plan expires, is forfeited, canceled, or otherwise terminated without delivery of Common Shares or is settled in cash. Upon exercise of an option or SAR for Common Shares, the number of Common Shares deemed to be delivered under the Plan will be the full number of Common Shares underlying the exercised award, regardless of any net delivery or any withholding of Common Shares for taxes. Likewise, Common Shares withheld from an award other than an option or SAR (sometimes referred to as a "full-value award") in payment of taxes will be deemed to have been delivered under the Stock Option Plan. Under the Stock Option Plan, awards may be outstanding relating to a greater number of Common Shares than the aggregate remaining available so long as the Committee (defined below) ensures that awards will not result in delivery and vesting of Common Shares in excess of the number then available under the Stock Option Plan. Common Shares delivered under the Stock Option Plan may be either newly issued or treasury shares.

*Adjustments.* Adjustments to the number and kind of shares subject to the share limitations (including annual per-person limits) are authorized in the event of a large and non-recurring dividend or distribution, recapitalization, stock split, stock dividend, reorganization, business combination, other similar corporate transaction, equity restructuring as defined under applicable accounting rules, or other similar event affecting the Common Shares. We are also obligated to adjust outstanding equity awards (and share-related performance terms, such as share-price targets) upon the occurrence of these types of events to preserve, without enlarging, the rights of the Stock Option Plan participants with respect to their awards. The Committee may adjust performance conditions and other terms of awards in response to these kinds of events or to changes in applicable laws, regulations, or accounting principles.

*Eligibility.* Employees of MariMed and its affiliates, including officers, non-employee directors of MariMed, and consultants and others who provide substantial services to MariMed and its affiliates, are eligible to be granted awards under the Stock Option Plan. As of December 31, 2021, approximately 333 persons were potentially eligible for awards under the Stock Option Plan.

*Administration.* The Committee administers the Stock Option Plan, except that the Board may itself act to administer the Stock Option Plan, and the Board will approve awards to non-employee directors. References to the "Committee" here mean the Compensation Committee or the full Board exercising authority with respect to a given award. The Stock Option Plan provides that the composition and governance of the Committee is established in the Committee's charter adopted by the Board. Subject to the terms and conditions of the Stock Option Plan, the Committee is authorized to select participants, determine the type and number of awards to be granted and the number of shares to which awards will relate or the amount of a performance award, specify times at which awards will become vested or exercisable or be settled, including performance conditions that may be required for the award to be earned, set other terms and conditions of awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the Stock Option Plan, and make all other determinations that may be necessary or advisable for the administration of the Stock Option Plan.

Nothing in the Stock Option Plan precludes the Committee from authorizing payment of other compensation, including bonuses based upon performance, to officers and employees, including the executive officers, outside of the Stock Option Plan. The Stock Option Plan authorizes the Committee to delegate authority to executive officers to the extent permitted by applicable law, but such delegation will not authorize grants of awards to executive officers without the participation by the Committee. The Stock Option Plan provides that members of the Committee and the Board will not be personally liable, and will be fully indemnified, in connection with any action, determination or interpretation taken or made in good faith under the Stock Option Plan.

*Stock Options and SARs.* The Committee is authorized to grant stock options, including both incentive stock options ("ISOs"), which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. SARs may also be granted, entitling the participant to receive the excess of the fair market value of a share on the date of exercise over the SAR's designated exercise price. The exercise price of an option or SAR is determined by the Committee, but may not be less than the fair market value of the underlying shares on the date of grant. The maximum term of an option or SAR is ten years. Subject to this limit, the times at which each option or SAR will be exercisable and provisions requiring forfeiture of unvested or unexercised options (and in some cases gains realized upon an earlier exercise) at or following termination of employment or upon the occurrence of other events generally are fixed by the Committee. Options may be exercised by payment of the exercise price in cash, shares having a fair market value equal to the exercise price or surrender of outstanding awards or other property having a fair market value equal to the exercise price, as the Committee may determine. This may include withholding of option shares to pay the exercise price. The Committee also is permitted to establish procedures for broker-assisted cashless exercises. SARs may be exercisable for shares or for cash, as determined by the Committee, and the method of exercise and settlement and other and other terms of SARs will be determined by the Committee.

*Restricted and Deferred Stock/Restricted Stock Units.* The Committee is authorized to grant restricted stock and deferred stock. Prior to the end of the restricted period, shares granted as restricted stock may not be sold, and will be forfeited in the event of termination of employment in specified circumstances. The Committee will establish the length of the restricted period for awards of restricted stock. Aside from the risk of forfeiture and non-transferability, an award of restricted stock entitles the participant to the rights of a stockholder of MariMed, including the right to vote the shares and to receive dividends (which may be forfeitable or non-forfeitable), unless otherwise determined by the Committee.

Deferred stock gives a participant the right to receive shares at the end of a specified deferral period. Deferred stock subject to forfeiture conditions may be denominated as an award of restricted stock units. The Committee will establish any vesting requirements for deferred stock/restricted stock units granted for continuing services. One advantage of restricted stock units, as compared to restricted stock, is that the period during which the award is deferred as to settlement can be extended past the date the award becomes non-forfeitable, so the Committee can require or permit a participant to continue to hold an interest tied to Common Shares on a tax-deferred basis. Prior to settlement, deferred stock awards, including restricted stock units, carry no voting or dividend rights or other rights associated with stock ownership, but dividend equivalents (which may be forfeitable or, if the award does not have performance conditions, non-forfeitable) will be paid or accrue if authorized by the Committee, as further described below.

*Other Stock-Based Awards, Stock Bonus Awards, and Awards in Lieu of Other Obligations.* The Stock Option Plan authorizes the Committee to grant awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to Common Shares. The Committee will determine the terms and conditions of such awards, including the consideration to be paid to exercise awards in the nature of purchase rights, the periods during which awards will be outstanding, and any forfeiture conditions and restrictions on awards. In addition, the Committee is authorized to grant shares as a bonus free of restrictions, or to grant shares or other awards in lieu of obligations under other plans or compensatory arrangements, subject to such terms as the Committee may specify.

*Performance-based Awards.* The Committee may grant performance awards, which may be awards of a specified cash amount or may be share-based awards. Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria as a condition of awards being granted or becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period of any length specified by the Committee.



The Committee retains discretion to set the level of performance for a given business criteria that will result in the earning of a specified amount under a performance award. These goals may be set with fixed, quantitative targets, targets relative to our past performance, targets compared to the performance of other companies, such as a published or special index or a group of companies selected by the Committee for comparison, or in such other way as the Committee may determine. The Committee may specify that these performance measures will be determined before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, or other financial and general and administrative expenses for the performance period.

*Vesting, Forfeitures, and Related Award Terms; Change in Control.* The Committee has discretion in setting the vesting schedule of options, SARs, restricted stock, deferred stock and other awards, the circumstances resulting in forfeiture of awards, the post-termination exercise periods of options, SARs and similar awards, and the events resulting in acceleration of the right to exercise and the lapse of restrictions, or the expiration of any deferral period, on any award.

Upon a "Change in Control," the Committee can allow awards to remain outstanding or be assumed by a successor. This could include converting awards to become a right to receive the cash or property received by stockholders in the Change in Control. If awards continue or are assumed without an acceleration of vesting, the participant will have "double-trigger" protection if permitted by our regulators. If, however, the Committee does not provide for awards to be continued or assumed, or if double-trigger protective terms are barred by law or regulation at the time of the Change in Control, the awards will immediately vest and become exercisable or otherwise be paid out. In such case, if options or SARs are not "in-the-money," they will be canceled with no consideration paid to the participant.

*Other Terms of Awards.* Awards may be settled in cash, shares, other awards or other property, in the discretion of the Committee. The Committee may require or permit participants to defer the settlement of all or part of an award, in accordance with such terms and conditions as the Committee may establish, including payment or crediting of interest or dividend equivalents on any deferred amounts. The Committee is authorized to place cash, shares or other property in trusts or make other arrangements to provide for payment of our obligations under the Stock Option Plan. The Committee may condition awards on the payment of taxes, and may provide for mandatory or elective withholding of a portion of the shares or other property to be distributed in order to satisfy tax obligations. Awards granted under the Stock Option Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that the Committee may permit transfers of awards other than ISOs on a case-by-case basis, but such transfers may not be to third parties for value.

The Stock Option Plan authorizes the Committee to provide for forfeiture of awards and recoupment or "claw back" of award gains in the event a participant fails to comply with conditions relating to non-competition, non-solicitation, confidentiality, non-disparagement and other requirements for the protection of the our business, or adhering to standards of conduct in the preparation of financial statements and reports filed with the SEC, and for similar forfeitures if the attained level of performance was based on material inaccuracies in the financial or other information. Each award under the Stock Option Plan will be subject to our claw back policy, as in effect at the time of grant of the award. Awards under the Stock Option Plan may be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The Committee may, however, grant awards in substitution for, exchange for or as a buyout of other awards under the Stock Option Plan, awards under our plans, or other rights to payment from us, and may exchange or buy out outstanding awards for cash or other property subject to the requirement that repricing of underwater options and SARs must be approved by stockholders. The Committee also may grant awards in addition to and in tandem with other awards, awards, or rights. In granting a new award, the Committee may determine that the in-the-money value or fair value of any surrendered award may be applied to reduce the purchase price of any new award, subject to the requirement that repricing transactions must be approved by stockholders.

*Dividend Equivalents.* The Committee may grant dividend equivalents. These are rights to receive payments equal in value to the amount of dividends paid on a specified number of Common Shares while an award is outstanding. These amounts may be in the form of cash or rights to receive additional awards or additional shares having a value equal to the cash amount. The awards may be granted on a stand-alone basis or in conjunction with another award, and the Committee may specify whether the dividend equivalents will be forfeitable or non-forfeitable, except as noted below for performance-based awards. Rights to dividend equivalents may be granted in connection with restricted stock units or deferred stock, so that the participant can earn amounts equal to dividends paid on the number of shares covered by the award while the award is outstanding. Dividend equivalents relating to a performance-based award will be earnable only upon the achievement of the performance goals applicable to the award.

*Amendment and Termination of the Stock Option Plan.* The Board may amend, suspend, discontinue, or terminate the Stock Option Plan or the Committee's authority to grant awards thereunder without stockholder approval, except as required by law or regulation or under rules of the stock exchange on which our stock may then be listed, and except as explained above regarding repricing. The Committee can adopt amendments pertaining to matters within the scope of the Committee's authority under its Charter, but subject to stockholder approval to the same extent as a Board amendment. Unless earlier terminated, the authority of the Committee to make grants under the Stock Option Plan will terminate ten years after stockholder approval of the Stock Option Plan, and the Stock Option Plan will terminate when no shares remain available and we have no further obligation with respect to any outstanding award.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The Company encourages each security holder to consult with its own tax or professional advisor to understand the tax considerations generally applicable with purchasing or owning securities of the Company.

### AUDIT COMMITTEE

#### Audit Committee Charter

The audit committee of the Company (the "**Audit Committee**") provides assistance to the Board of Directors in fulfilling its obligations relating to the integrity of the internal financial controls and financial reporting of the Company. The external auditors of the Company report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities include: (i) reviewing and reporting to the Board of Directors on the annual audited financial statements (including the auditor's report thereon) and unaudited interim financial statements and any related MD&A, if any, and other financial disclosure related thereto that may be required to be reviewed by the Audit Committee pursuant to applicable legal and regulatory requirements; (ii) reviewing material changes in accounting policies and significant changes in accounting practices and their impact on the financial statements; (iii) overseeing the audit function, including engaging in required discussions with the Company's external auditor and reviewing a summary of the annual audit plan at least annually, overseeing the independence of the Company's external auditor, overseeing the Company's internal auditor, and pre-approving any non-audit services to the Company; (iv) reviewing at least annually, the Company's policies for risk assessment and risk management; (v) reviewing with management and the Company's external auditors, at least annually, the integrity of the internal controls over financial reporting and disclosure; (vi) reviewing management reports related to legal or compliance matters that may have a material impact on the Company and the effectiveness of the Company's compliance policies; and (vii) establishing whistleblowing procedures and investigating any complaints or concerns it deems necessary. The Company's Audit Committee is governed by its charter that is attached as Schedule B to this Prospectus. Composition of the Audit Committee

The Company's Audit Committee is composed of two directors, being David Allen (Chair) and Edward Gildea. Neither David Allen nor Edward Gildea are executive officers, employees or control persons of the Company or of an affiliate of the Company. Under National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with a director's exercise of independent judgment. The Board of Directors has determined that David Allen and Edward Gildea are independent directors within the meaning of NI 52-110.

Each member of the Audit Committee is considered financially literate, as they each have a good command of U.S.GAAP and the ability to understand a set of financial statements that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements and the internal controls and procedures for financial reporting. See "Directors and Officers - Biographies" for a brief summary of the education and experience of each Audit Committee member that will be relevant to his performance as a member of the Audit Committee.

#### **Relevant Education and Experience**

The education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee can be found under the heading "*Directors and Officers - Biographies*".

#### **Audit Committee Oversight**

At no time since incorporation of the Company was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### **Pre-Approval Policies and Procedures**

The Audit Committee has authority to engage and communicate with advisors and professionals for non-audit services.

#### **External Auditors Service Fees**

The aggregate fees billed by our current auditors in each of the last two (2) fiscal years are set out in the table below.

	Fiscal Year Ending	
	December 31, 2021	December 31, 2020
Audit fees <sup>(1)</sup>	\$128,000	\$95,000
Audit-related fees <sup>(2)</sup>	\$-	\$-
Tax fees <sup>(3)</sup>	\$-	\$-
All other fees <sup>(4)</sup>	\$2,500	\$1,500

Notes:

- (1) Audit fees consist of fees for the audit of our annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees are fees for assurance and related services related to the performance of the audit or review of the annual financial statements that are not reported under "Audit Fees". These include due diligence for business acquisitions, audit and accounting consultations regarding business acquisitions, and other attest services not required by statute.
- (3) Tax fees, tax planning, tax advice and various taxation matters.
- (4) All other fees include the aggregate fees billed for products and services provided by the Company's external auditor, other than "Audit fees", "Audit-related fees" and "Tax fees" above.

## CORPORATE GOVERNANCE

National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**") establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices which disclosure is set out below.

**Board of Directors** The Board of Directors consists of five (5) members of whom the Company believes three (3) to be independent based upon the tests set forth in NI 52-110. Dr. Eva Selhub, David Allen and Edward Gildea are independent directors. Robert Fireman and Jon R. Levine are not independent directors as they also serve as officers of the Company.

NP 58-201 suggests that the board of directors of reporting issuers should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with the Company. A material relationship is a relationship that could, in the view of the board of directors, reasonably interfere with the exercise of a director's independent judgment. In addition, the independent judgment of the Board of Directors in carrying out its responsibilities is the responsibility of all directors.

The Board of Directors has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the Company, provide leadership and direction to management, evaluate management, set policies appropriate for the business of the Company and approve corporate strategies and goals. The day-to-day management of the business and affairs of the Company is delegated by the Board of Directors to the senior officers of the Company. The Board of Directors will give direction and guidance through the Chief Executive Officer ("**CEO**") to management and will keep management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board of Directors.

In addition to executive sessions held by the Company's independent directors, the Board of Directors exercises its independent supervision over management by its policies that (a) periodic meetings of the Board of Directors be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Company are subject to prior approval of the Board of Directors. To facilitate open and candid discussion among its independent directors, such directors are encouraged to communicate with each other directly to discuss ongoing issues pertaining to the Company.

The mandate of the Board of Directors is to provide governance and stewardship to MariMed and its business. The mandate sets out the Board of Directors' responsibility for, among other things, (i) participating in the development of and approving a strategic plan for

MariMed; (ii) supervising the activities and managing the investments and affairs of MariMed; (iii) approving major decisions regarding MariMed; (iv) defining the roles and responsibilities of management and delegating management authority to the CEO; (v) approving related party transactions; (vi) reviewing and approving the business and investment objectives to be met by management; (vii) assessing the performance of and overseeing management; (viii) reviewing MariMed's debt strategy; (ix) identifying and managing risk exposure; (x) ensuring the integrity and adequacy of MariMed's internal controls and management information systems; (xi) succession planning; (xii) establishing committees of the Board of Directors, where required or prudent, and defining their mandate; (xiii) maintaining records and providing reports to shareholders; (xiv) ensuring effective communication with shareholders, other stakeholders and the public; (xv) determining the amount and timing of distributions to shareholders; and (xvi) monitoring the social responsibility, integrity and ethics of MariMed.

The activities of the executive officers are subject to the overriding supervision and direction of the Board of Directors. The responsibilities of the executive officers of MariMed will include, but is not limited to, the following: (i) providing the Board of Directors with information and advice relating to the operation of MariMed's properties, acquisitions, dispositions, developments and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period, as approved by the Board of Directors, and implementing such plans and monitoring the financial performance of MariMed; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions, as approved by the Board of Directors; (iv) maintaining the books and financial records of MariMed; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of MariMed for tax and accounting purposes, as approved by the Board of Directors; (vi) preparing reports and other information required to be sent to shareholders and other disclosure documents, as approved by the Board of Directors; (vii) calculating all distributions, as approved by the Board of Directors; (viii) communicating with shareholders and other persons, including investment dealers, lenders, investors, and professionals; (ix) administering or supervising the administration, on behalf of the Board of Directors, of the payment of distributions by MariMed; and (x) ensuring MariMed is in compliance with internal policies and regulatory and legal requirements.

The primary functions of the CEO is to lead the management of the business and affairs of MariMed, to lead the implementation of the resolutions and the policies of the Board of Directors, to supervise day to day management and to communicate with shareholders and regulators. Whereas, the Board of Directors considers that the role and responsibilities of the CEO are to develop the Company's strategic plans and policies, recommend such plans and policies to the Board of Directors, report relevant matters to the Board of Directors, facilitate communications between the Board of Directors and management, provide executive leadership and identify business risks and opportunities and manage them accordingly.

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, orientation of new members of the Board of Directors is conducted by informal meetings with members of the Board of Directors, briefings by management, and the provision of copies of or access to the Company's documents.

The Company has not adopted formal policies respecting continuing education for members of the Board of Directors. Members of the Board of Directors are encouraged to communicate with management, legal counsel, auditors and consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Members of the Board of Directors have full access to the Company's records.

### **Ethical Business Conduct**

The Board of Directors has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law on an individual director's participation in decisions of the Board of Directors in which the director has an interest have helped to ensure that the Board of Directors operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of the Company also serves as a director or officer of another company engaged in similar business activities to the Company, that director must comply with the conflict of interest provisions of the corporate legislation, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

In addition, the Board of Directors has adopted a code of business conduct and ethics, which outlines a set of ethical standards by which each director, officer, employee, consultant and contractor of the company should conduct his or her business.

## **Nomination of Directors**

The members of the Nominating and Corporate Governance Committee are Messrs. Allen, Gildea and Dr. Selhub, the three independent directors of the Board. The Nominating and Corporate Governance Committee has responsibility for identifying potential candidates for the Board of Directors. The committee assesses potential candidates to fill perceived needs on the Board of Directors based on required skills, expertise, independence and other factors. Members of the Board of Directors and representatives of the industry are consulted for possible candidates.

## **Compensation Committee**

The Compensation Committee consists of two independent directors and is charged with reviewing, overseeing and evaluating the compensation policies. The Compensation Committee is comprised of Mr. Gildea, who acts as chair of this committee, and Dr. Selhub. Each of these members hold experience with respect to oversight on compensation or executive compensation matters. For additional details regarding the relevant education and experience of each member of the Compensation Committee, including the direct experience that is relevant to each committee member's responsibilities, see "*Directors and Officers - Biographies*". For information regarding the steps taken to determine compensation for the directors and the executive officers, see "*Director and Executive Compensation*" herein.

Neither Mr. Gildea nor Dr. Selhub are executive officers, employees or control persons of the Company or of an affiliate of the Company. Under NI 52-110, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board of the Directors, be reasonably expected to interfere with a director's exercise of independent judgment.

The Board of Directors has adopted a written charter setting forth the purpose, composition, authority and responsibility of the Compensation Committee. The Compensation Committee's purpose is to assist the Board of Directors in:

- the appointment, performance, evaluation and compensation of our senior executives;
- the recruitment, development and retention of our senior executives;
- maintaining talent management and succession planning systems and processes relating to our senior management;
- developing compensation structure for our senior executives including salaries, annual and long-term incentive plans including plans involving share issuances and other share-based awards;
- establishing policies and procedures designed to identify and mitigate risks associated with our compensation policies and practices;
- assessing the compensation of our directors;
- developing benefit retirement and savings plans; and
- administering the Company's share compensation arrangements.

## **Other Committees**

The Board of Directors has no other committees other than the Audit Committee, the Nominating and Corporate Governance Committee and Compensation Committee.

## **Assessments**

The Board of Directors monitors the adequacy of information given to directors, communication between the Board of Directors and management and the strategic direction and processes of the Board of Directors and committees. On an ongoing annual basis, the Board of Directors assesses the performance of the Board of Directors as a whole, each of the individual directors and each committee of the Board of Directors in order to satisfy itself that each is functioning effectively.

## **Insider Trading Policy**

The Board of Directors has adopted an insider trading policy to set forth basic guidelines for trading in the Company's securities (including, without limitation, its common stock) and to preserve its confidential information so as to avoid any situation that might

have the potential to damage the Company's reputation or which could constitute a violation of federal or state securities law by the Company, its officers, directors, or employees.

Under this policy, "insiders" (i.e., officers, members of the Board of Directors and other individuals having access to material non-public information) are prohibited from trading in Common Shares and other securities on the basis of such material non-public information until after the information has been disclosed to the public. All matters regarding the "materiality" or "non-public" nature of any information shall be determined by the chairman or legal counsel of the Company.

The obligation not to trade on inside information applies not only to the Company and insiders, but also to persons who obtain such information from insiders and use it to their advantage. Thus, liability may be imposed upon the Company, its insiders and also outsiders who are the source of leaks of material information not yet disclosed to the public and the leaks coincide with purchases or sales of the Company's securities (i) by such insiders or outsiders, (ii) by the Company itself, or (iii) by "tippees" (including relatives, friends, investment analysts, etc.).

Material non-public information shall not be disseminated to any person outside the Company and must be distributed within the Company only on a strict "need to know" basis. Violation of any of the securities laws described in this policy may result in the institution of a prosecution or an enforcement proceeding against the individual and the Company, or both.

In order to provide a degree of certainty as to when insider trading is permissible with respect to the timing of quarterly and annual releases of financial information, the Company has established recurring "quiet periods" relative to such releases. Directors, all officers and employees with access to financial results, are not permitted to buy or sell Company stock during the periods commencing on the first day of each fiscal quarter and ending at the close of business on the second working day after quarterly or annual earnings are released to the public. Trading in Company stock at other times may be permissible, but all transactions in Company stock by directors, officers and other identified employees must be approved in advance by the chairman and must be reported to the legal counsel after consummating the transaction.

The Company may impose additional blackout periods during which trading will not be allowed when there are developments which give rise to the need for public disclosure. Affected shareholders will be advised by memorandum from the Company when these additional quiet periods are in effect. All directors and officers and other specifically identified employees of the Company must (i) clear through the CEO each and every proposed transaction in Company stock before consummating the transaction and (ii) promptly report to the legal counsel the consummation of any transactions, whenever consummated.

The insider trading policy also outlines the Company's reporting obligations for changes in Common Shares owned by insiders.

## **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

None of the Company's directors or officers or any of their respective associates is indebted to the Company or has been subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company.

## **RISK FACTORS**

### **Risks Related to the Cannabis Industry**

#### **Cannabis remains illegal under U.S. Federal law**

Cannabis is illegal under U.S. Federal law. Although the Company's cannabis-related activities are permitted by state law in the states where the Company engages in and intends to engage in business, these activities remain illegal under federal law. Cannabis remains a Schedule 1 controlled substance under the federal, and the penalties for violating the CSA are very serious and, depending on the quantity of cannabis involved, may include criminal penalties of up to twenty (20) years in prison and/or a fine of up to US\$2 million. In addition, the federal government can seize and seek the civil forfeiture of the real or personal property used to facilitate the sale of cannabis as well as the money or other proceeds received in connection with such sale.

The DOJ has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of marijuana for use on private property but relied on state and local law enforcement to address marijuana activity. In the event the DOJ reverses stated policy and begins strict enforcement of the CSA in states that have laws legalizing medical marijuana and recreational marijuana in small amounts, there may be a direct and adverse impact to the Company and its revenue and profits.

## Federal regulation of cannabis in the United States

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, a total of 37 states, in addition to Washington D.C., Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands and Guam have legalized some form of whole-plant cannabis cultivation, sales, and use for certain medical and/or adult-use purposes.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA in the United States and as such, remains illegal under U.S. Federal law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all U.S. District Attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, in 2018, Mr. Sessions issued the Sessions Memorandum, which rescinded and superseded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. District Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities as set out in chapter 9-27.000 of the U.S. Attorneys' Manual. The inconsistency between federal and state laws and regulations is a major risk to the Company's business.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. However, the Cole Memorandum's principles remain well respected, and the federal government under Sessions' tenure prosecuted no state law compliant entities. Sessions resigned in late 2018. The new Attorney General at the time, William Barr, testified in his confirmation hearing that he will not upset "settled expectations", "investments", or other "reliance interest[s]" arising as a result of the Cole Memorandum, and that he does not intend to use federal resources to enforce federal cannabis laws in states that have legalized cannabis "to the extent people are complying with the state laws."<sup>3</sup> Medical cannabis is currently further protected against enforcement by enacted legislation from United States Congress in the form of the Blumenauer-Farr Amendment, which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. If such funding were ever restored, actions which were previously protected could be subject to prosecution if they are within the statute of limitations.

While the Biden administration has not yet released clear direction on the Federal path forward for Federal legalization, Vice President Kamala Harris and Xavier Becerra, Secretary of Health and Human Services, have public track records of supporting medical marijuana programs. In addition, Attorney General Merrick Garland has publicly stated that he would de-prioritize enforcement of low-level marijuana crimes such as possession, and he has suggested that federal reforms are closely tied to the larger issue of social justice for minorities. Garland has stated that "It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. I don't think that's a useful use."

Due to the dual sovereign nature of American government, the federal government can assert criminal violations of U.S. Federal law despite state law. There have not been publicized instances of any state-legal cannabis operations being prosecuted absent claims that the operation is also violating state law. Nonetheless, the level of prosecutions of state-legal cannabis operations is entirely unknown. If the DOJ policy were to change course and aggressively pursue financiers or equity owners of cannabis-related business, and United

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<sup>3</sup> See Attorney General William Barr Confirmation Hearing, available at <https://www.c-span.org/video/?456626-1/attorney-general-nominee-william-barr-confirmation-hearing>.

States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis; and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

The DOJ could allege that the Company and its Board of Directors and, potentially its shareholders, "aided and abetted" violations of U.S. Federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, may be sent to federal prison.

The Blumenauer-Farr Amendment was included in the fiscal year 2018 budget passed on March 23, 2018 and the consolidated appropriations bill signed into legislation in February 2019. The Blumenauer-Farr Amendment was also included in the consolidated appropriations bill signed into legislation by then President Trump on December 20, 2019 and remained in effect until September 30, 2020. On October 1, 2020, the Amendment was renewed through the signing of a stopgap spending bill, effective through December 11, 2020. On December 27, 2020, the amendment was renewed through the signing of the FY 2021 omnibus spending bill, effective through September 30, 2021. Should the Blumenauer-Farr Amendment not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

Additionally, there can be no assurance as to the position any new administration may take on cannabis and a new administration could decide to enforce the U.S. Federal laws strongly. Any enforcement of current U.S. Federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat cannabis differently and potentially enforce the U.S. Federal laws more aggressively.

Violations of any U.S. Federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

### **Blumenauer-Farr Amendment**

The Blumenauer-Farr Amendment, as discussed above, prohibits the DOJ from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Blumenauer-Farr Amendment is currently scheduled to expire on September 30, 2022.

### **U.S. state regulatory uncertainty**

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material



adverse effect on the Company's business. It is possible that laws or regulations may be enacted in the future that will be directly applicable to the Company's business. The Company is not able to predict the nature of any future laws, regulations, interpretations or applications, nor can the Company determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. The Company is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

### **Potential re-classification of Cannabis in the United States**

If cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, cosmetics and other similar products, pursuant to its enforcement authority set forth in the United States Federal Food Drug and Cosmetic Act (the "FDCA"). The FDA's responsibilities include regulating the ingredients, as well as the marketing and labeling, of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the Drug Enforcement Administration ("DEA"); however, the FDA has enforced the FDCA with regard to hemp-derived products, especially CBD, sold outside of state-regulated cannabis businesses.

If cannabis were to be rescheduled to a federally controlled, yet legal, substance, the FDA would likely play a more active regulatory role. In the event that cannabis becomes subject to FDA regulation, the pharmaceutical industry may directly compete with state-regulated cannabis businesses for market share, and the pharmaceutical industry may urge the DEA, the FDA, and others to enforce the CSA and FDCA against businesses that comply with state but not federal law. The potential for multi-agency enforcement could threaten or have a materially adverse effect on existing cannabis businesses whose operations are compliant with applicable state laws, including the Company.

Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact it would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA, it may have an adverse effect on the Company's business, operating results and financial condition.

### **United States Federal and state law inconsistencies**

Ultimately, in the absence of an official policy statement from the Biden Administration or any future administration, the position of the federal government on state-level legalization of adult-use and medical cannabis remains unclear. The U.S. Attorney General has the authority to instruct federal prosecutors to prosecute businesses and individuals engaged in the production, processing and sale of cannabis. This inconsistency between federal and state law could result in the inability of the Company to conduct its business, as well as criminal and/or civil actions against the Company, its directors, officers, employees and investors, as well as other participants in the cannabis industry. Accordingly, these are substantial risks and there is no guarantee that the Company will be successful in operating without interference or prohibition by the federal government.

### **Failure of cannabis legislation to pass in certain states**

The Company's business model depends on the legalization of cannabis, for medical and/or adult-use, at the state level. It is possible that legislation in certain states could fail to obtain the necessary votes and fail to pass. Such inability for the state to pass such legislation could materially impact the Company's returns. If a state passes legislation to legalize cannabis for medical and/or adult-use, the state may subsequently pass legislation to implement the law and potentially address any details not addressed in the legalizing statute or constitutional amendment itself. It is possible that such implementing legislation could be drafted in such a way as to make the Company's operations more challenging and costly.

### **Federal cannabis law pre-emption**

It is possible that the federal government could pass legislation legalizing cannabis for medical and/or adult-use in the future. Such federal legislation would pre-empt similar legislation, and/or similar legalization efforts, including existing state laws. The Company's

operations could be subject to new federal laws and regulations, which are currently unknown and could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

### **Prosecution of the Company's directors, officers, employees and investors**

The Company, directly or through subsidiary or affiliated business entities, is involved in the cannabis market. Cannabis is classified federally as a Schedule I narcotic. While cannabis could be re-scheduled under the CSA, no such action has been taken as of the date of this Prospectus. Accordingly, it is currently a felony to grow, cultivate, distribute, sell, or use cannabis. As a result, the Company may be deemed to be aiding and abetting illegal activities through its activities and the services that it provides. In addition, it is possible that investors of the Company could be subject to section 356 of the USA Patriot Act, which amended the Bank Secrecy Act to require broker-dealers to monitor for, and report, suspicious activity (also known as "SAR" reporting). As a result, the Company may be subject to actions by law enforcement authorities, which would materially and adversely affect its business.

### **Extensive regulation and taxation**

The Company's services and customers are expected to be subject to federal, state, county, local and other regulations that are subject to change without notice. In addition, there may be other legal, tax and/or regulatory changes that the Company may or may not be able to foresee that may materially affect the Company. The process of complying with any regulations that may be imposed could, among other unknown risks, take a significant period of time and require the expenditure of substantial resources.

### **High application and registration fees**

Licenses may be required for the Company to operate in regulated cannabis markets in certain states. Increasingly, states and many cities and counties are imposing costly application and licensing fees. These fees may prevent the Company from being able to operate in desirable locations. In addition, the costs may prevent other small businesses from opening and may reduce the Company's customer base in those states.

### **Competition**

The Company will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

In the event of additional states passing legislation and/or constitutional amendments legalizing cannabis for medical and/or personal use, the Company could face additional competitive pressures, which could adversely impact its operational and financial success. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of adult-use cannabis in the states in which the Company will operate its business increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

Further, notwithstanding the legal and regulated market for the growth, cultivation, distribution, and retail sale, there will likely continue to be unlicensed individuals and/or organizations involved in the sale of cannabis that choose to operate illegally and outside of the regulated operating environment.

To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of its operations.

### **Competition with criminal enterprises**

The Company's operations may be a source of competition with current criminal enterprises dealing in cannabis, including drug cartels. As a result, the operations of the Company may be an ongoing target of attacks specifically designed to impede the success of its products, and it may be exposed to various levels of criminal interference and other risks and uncertainties including terrorism, violence, hostage taking and other drug gang activities. The nature of the Company's operations may also make the Company subject to greater risks of theft and greater risks as to property security. These conditions could lead to lower productivity and higher costs, which would adversely affect results of operations and cash flow of the Company. Such conditions could have a material impact on the investment returns of the Company.

## **Opposition from pharmaceutical and other industries**

The medical marijuana industry could face a material threat from the pharmaceutical industry, should marijuana displace other drugs or encroach upon the pharmaceutical industry's products. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana movement. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry could have an adverse impact on the Company's business.

## **Restricted international border access**

As cannabis remains illegal under United States Federal law, non-United States citizens who are employed by or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with United States or Canadian cannabis businesses. Entry happens at the sole discretion of the United States Customs and Border Protection (the "USCBP") officers on duty, and such officers have wide latitude to ask questions in determining the admissibility of a foreign national.

As a result, the Canadian government has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States Federal laws, could mean denial of entry to the United States. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for USCBP officers to deny entry in the United States. In reaction to the then-impending legalization of cannabis in Canada, the USCBP released a statement outlining its current position with respect to enforcement of United States Federal laws. The statement specified that Canada's legalization of cannabis would not change the USCBP's enforcement of United States Federal laws regarding controlled substances and, because cannabis continues to be a controlled substance under the CSA, working in or facilitating the proliferation of the cannabis industry in states in the United States or Canada where cannabis is legal may affect admissibility to the United States.

The Company's ability to attract qualified candidates for positions with the Company may be diminished by the prospect of a denial or ban from entry into the United States, which could have a material adverse effect on the Company's business.

## **Restricted access to banking and ability to access public and private capital**

In February 2014, FinCEN issued the FinCEN Memorandum outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a SAR in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. Despite the foregoing, most banks do not accept deposit funds from state-sanctioned cannabis businesses. As a result, businesses involved in the cannabis industry in the U.S. often have difficulty accessing the U.S. banking system and traditional financing sources.

In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

While the Company may not be able to obtain bank financing in the United States or financing from U.S. Federally regulated entities, it does currently have access to equity financing through private markets in the US and Canada. The Company also has relationships with sources of private capital that could be investigated at a higher cost of capital.

## **Lack of access to U.S. bankruptcy protections**

Because the use of cannabis is illegal under U.S. Federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. Federal bankruptcy protections would be available, which would have a material adverse effect on the Company's business, financial position or results of operations.

## **Policy shifts of Canadian clearing and depository services**

It had been reported in Canada that the Canadian Depository for Securities Limited was considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.<sup>4</sup> The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the securities of the Company are listed on an applicable stock exchange, it would have a material adverse effect on the ability of holders of such securities to make and settle trades. In particular, the securities would become highly illiquid until an alternative was implemented as investors would have no ability to effect a trade of such securities through the facilities of the applicable stock exchange.

## **Regulatory scrutiny of the Company's interests in the United States**

The Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. In addition, it is possible that the Company will come under additional scrutiny by the United States Securities and Exchange Commission (the "**SEC**"), the Financial Industry Regulatory Authority ("**FINRA**"), state securities administrators, or other regulators, due to its status as a cannabis-related business.

As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

## **Constraints on marketing products**

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

## **Unfavorable tax treatment of cannabis businesses**

Under Section 280E ("**Section 280E**") of the United States Internal Revenue Code of 1986 as amended (the "**U.S. Tax Code**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any state in which such trade or business is conducted." This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

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<sup>4</sup> Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Retrieved from <https://www.cds.ca/resource/en/249/>.

## **Risk of challenge by the IRS**

No assurance can be given that the Company's interpretation of the existing federal income tax laws and treasury regulations will not be challenged by the IRS. An IRS challenge to the Company's interpretation of existing tax law could result in an increase in taxable income or a decrease in allowable deductions. In recent years, numerous changes to the U.S. Tax Code have been enacted. These changes have affected marginal tax rates, personal exemptions, itemized deductions, depreciation and amortization rates, and other provisions of the U.S. Tax Code. There can be no assurance that the present federal income tax treatment of an investment in the Company will not be adversely affected by future legislative, judicial or administrative action. Any modification or change in the U.S. Tax Code or the regulations promulgated thereunder, or any judicial decision, could be applied retroactively to an investment in the Company. In view of this uncertainty, prospective investors are urged to consider ongoing developments in this area and consult their advisors concerning the effects of such developments on an investment in the Company in light of their own personal tax situations.

Moreover, there can be no assurance that some of the deductions claimed or positions taken by the Company may not be successfully challenged by the IRS. The Company will consider taking all deductions and positions for which there is support, even though it may be aware that the IRS might not agree. An audit of the Company's information return may result in the disallowance of certain deductions, an increase in the Company's gross or taxable income and an audit of the income tax or information returns of the investors that could further result in adverse adjustments to non-company items of income, deductions or credits.

The Company will not seek a ruling from the IRS with respect to any tax matters described in this Prospectus, and it is unlikely that such a ruling could be obtained, if sought.

## **Risk of civil asset forfeiture**

Because the cannabis industry remains illegal under U.S. Federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

## **Anti-money laundering and similar regulations**

The Company will be required to comply with Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA PATRIOT Act**") and any relevant regulations and any other applicable U.S. or other laws or regulations, including regulations promulgated by the Department of Treasury's Office of Foreign Assets Control ("**OFAC**"). The Company may be required to obtain a detailed verification of the identity of each investor in the Company, the identity of any beneficial owner of any such investor, and the source of funds used to subscribe for securities in the Company. Each prospective investor shall be required to represent that it is not a prohibited person (a "**Prohibited Person**"), as defined by the USA PATRIOT Act, United States Executive Order 13224, and other relevant legislation and regulations, including regulations promulgated by OFAC.

Should an investor in the Company's securities refuse to provide any information required for verification purposes, the Company may cause the redemption of the securities held by any such investor. The Company may request such additional information from prospective investors as is necessary in order to comply with the USA Patriot Act, United States Executive Order 13224, and other relevant U.S. or other anti-money laundering legislation and regulations, including regulations promulgated by OFAC.

The Company, by written notice to any investor, may redeem the securities held by such investor if the Company reasonably deems it necessary to do so in order to comply with the USA Patriot Act, United States Executive Order 13224, and any other relevant anti-money laundering legislation and regulations, including regulations promulgated by OFAC, applicable to the Company, or any of its subsidiaries, or if so ordered by a competent U.S. or other court or regulatory authority. In addition, the federal money laundering law applies to a business engaged in cannabis sales even if such sales are lawful under state law, because cannabis continues to be a Schedule I substance under federal law and such business almost certainly would qualify as a continuing criminal enterprise under federal law. The money laundering law can be used to punish persons engaged in facilitating an unlawful activity by using its proceeds, and consequences under the federal money laundering law can include fines up to US\$500,000, twenty (20) years in prison and forfeiture of the assets involved. Accordingly, although the DOJ and the Treasury Department have issued guidelines requiring vigorous monitoring of cannabis businesses and directed prosecutors and regulators to focus only on those cases where banks have failed to adhere to the guidance, the risk of federal prosecution remains.

In the event that any of the Company's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes

noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends or effect other distributions.

## Hemp and hemp-based products

Until recently, hemp (defined by the U.S. government as *cannabis sativa* L. with a THC concentration of not more than 0.3 percent on a dry weight basis) and hemp's extracts were illegal Schedule I controlled substances under the CSA (except mature stalks, fiber produced from the stalks, oil or cake made from the seeds, and any other compound, manufacture, salt derivative, mixture, or preparation of such parts). The 2014 Farm Bill authorized states to establish industrial hemp research programs. The majority of states established programs purportedly in compliance with the 2014 Farm Bill.

In December 2018, the U.S. government changed the legal status of hemp. The Farm Bill removed hemp and extracts of hemp, including CBD, from the CSA schedules. Accordingly, the production, sale, and possession of hemp or extracts of hemp, including CBD, no longer violate the CSA.

However, the new Farm Bill did not create a free system in which individuals or businesses can grow hemp without limitations. There are numerous restrictions. The Farm Bill allows hemp cultivation broadly, but only under an approved state plan or once USDA regulations are in place. It also allows the transfer of hemp-derived products across state lines for commercial or other purposes. Nonetheless, states can still prohibit hemp or limit hemp more stringently than the U.S. Federal law.

The Farm Bill directs the USDA to create federal regulations and to set the framework for states to regulate their own programs. For states choosing to permit and regulate hemp and hemp extracts, the state department of agriculture, in consultation with the state's governor and chief law enforcement officer, will devise a plan, which the USDA must approve. For states permitting, but opting out of regulating, hemp, the USDA must construct a regulatory program under which hemp cultivators must apply for licenses and comply with the federally run program. Federal requirements for producers will include maintaining information about land and procedures for testing THC levels and disposing of hemp or by-products that exceed 0.3% THC. The nature of these requirements remains unclear, and may negatively impact the Company's business once the requirements become effective.

The section of the Farm Bill establishing a framework for hemp production also states explicitly that it does not affect or modify the Federal FDCA, section 351 of the Public Health Service Act, or the authority of the Commissioner of the FDA under those laws.

In December, 2018, then FDA Commissioner Scott Gottlieb issued a statement reminding the public of the FDA's continued authority "to regulate products containing cannabis or cannabis-derived compounds under the FDCA and section 351 of the *Public Health Service Act*."<sup>5</sup> He reminded the public that "it's unlawful under the FDCA to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products, as, or in, dietary supplements, regardless of whether the substances are hemp-derived," and regardless of whether health claims are made, because CBD (and THC) are active ingredients in FDA-approved drugs.

After issuing this statement, Gottlieb issued a statement regarding steps the agency is taking in its continued evaluation of possible regulatory pathways for cannabis-containing and cannabis-derived products: (i) it noticed a public hearing date, May 31, 2019, to discuss the safety, manufacturing, product quality, marketing, labeling and sale of products containing cannabis or cannabis-derived compounds; (ii) it formed a high-level internal agency working group tasked with exploring potential pathways for the legal marketing of foods and/or dietary supplements containing CBD; (iii) it released updated FAQs on the FDA website related to this topic; and (iv) it issued warning letters to three companies marketing CBD products using claims viewed as egregious and targeted at particularly vulnerable populations.

Enforcement under the FDCA may be criminal or civil in nature and can include those who aid and abet a violation, or conspire to violate, the FDCA. Violations of the FDCA, 21 U.S.C. § 331, (Prohibited acts), are, for first violations, misdemeanors punishable by imprisonment up to one year or a fine or both and, for second violations or violations committed with an "intent to defraud or mislead," felonies punishable by fines and imprisonment up to three (3) years.<sup>6</sup> The fines provided for in 21 U.S.C. § 333(a) are low (US\$1,000 and US\$3,000), but under the Criminal Fine Improvements Act of 1987 the criminal fines can be increased significantly (approximately US\$100,000-US\$500,000). Civil remedies under the FDCA include civil money penalties,<sup>7</sup> injunctions, and seizures.<sup>8</sup> The FDA also

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<sup>5</sup> See Statement from FDA Commissioner Scott Gottlieb, M.D., on signing of the Agriculture Improvement Act and the agency's regulation of products containing cannabis and cannabis-derived compounds, dated Dec. 20, 2018, available at <https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm>.

<sup>6</sup> 21 U.S.C. § 333(a).

<sup>7</sup> See, e.g., 21 U.S.C. §333(b) and (f)(2)A), 21 C.F.R. §17.1

<sup>8</sup> 21 U.S.C §334

has a number of administrative remedies (e.g., warning letters, recalls, debarment). The FDA primarily has limited its recent enforcement against companies selling CBD products to warning letters triggered by disease and/or structure or function claims. In the recent statement, Commissioner Gottlieb indicated that the FDA will continue to focus enforcement on unapproved therapeutic claims. Since that time, however, Gottlieb announced his resignation from the FDA, which introduces additional uncertainty into the CBD legal landscape.

The Commission's reference to "interstate commerce" is different from the normal constitutional meaning. The FDA lacks authority, except in limited circumstances, to enforce against companies selling CBD products that do not enter into "interstate commerce." While the U.S. Supreme Court has ruled that even cannabis grown for personal medical use affects interstate commerce, the FDA's jurisdiction is limited to products that actually move interstate. However, the FDA's interpretation "introduction into interstate commerce" applies to all aspects of a product's manufacturing, packaging, and distribution (e.g., ingredients, labeling).

### **Security risks**

The business premises of the Company's operating locations are targets for theft. While the Company has implemented security measures at each location and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

As the Company's business involves the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company has engaged security firms where available to provide security in the transport and movement of large amounts of cash. To the extent such security firms are used, there is risk involved in relying on such firms to facilitate the transfer of cash (e.g., in the case of negligence or willful misconduct by such services' employees or independent contractors). In areas where such security firms are not available, the Company is not able to mitigate the risk of cash loss or theft by securing outside security services. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

### **Limited trademark protection**

The Company will not be able to register any U.S. Federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the U.S. Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

### **Limited patent protection**

The Company will not be able to register any U.S. patents for its cannabis products and processes. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the filing of any patent application that involves cannabis products. As a result, the Company likely will be unable to protect its cannabis product formulations and processing techniques (and any related patents it may have secured) within the U.S. The use or sale of its cannabis product formulations or processing techniques by one or more other persons could have a material adverse effect on the Company's business and the value of such products and processing techniques.

### **Infringement or misappropriation claims**

The Company's success may likely depend on its ability (i) to develop and market trademarks and tradenames and (ii) to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing intellectual property to it do not have adequate rights in any such licensed materials. If third parties assert copyright, trademark, or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its business.

## **Intellectual property risks**

The Company's ability to compete in the future partly depends on the superiority, uniqueness and value of its intellectual property and technology, including both internally developed technology and technology licensed from third parties. To the extent the Company is able to do so, in order to protect its proprietary rights, the Company will rely on a combination of trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions which may prove insufficient to protect the Company's proprietary rights.

Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology of the Company. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. Federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than would federally-registered marks.

## **IT system failures**

To an extent, the Company relies on information technology ("IT") systems, networks, and services, including internet sites, data hosting and processing facilities and tools, hardware (including laptops and mobile devices), software and technical applications and platforms, some of which are managed and hosted by third party vendors to assist the Company in the management of its business. The various uses of these IT systems, networks, and services include, but are not limited to: hosting the Company's internal network and communication systems; enterprise resource planning; processing transactions; summarizing and reporting results of operations; business plans, and financial information; complying with regulatory, legal, or tax requirements; providing data security; and handling other processes necessary to manage the Company's business. Although the Company has some offsite backup systems and a disaster recovery plan, any failure of our information systems could adversely impact the Company's ability to operate. Routine maintenance or development of new information systems may result in systems failures, which may have a material adverse effect on the Company's business, financial condition, or results of operations.

Increased IT security threats and more sophisticated cyber-crime pose a potential risk to the security of the Company's IT systems, networks, and services, as well as the confidentiality, availability, and integrity of the Company's data. This can lead to outside parties having access to the Company's privileged data or strategic information, its employees, or its customers. Any breach of the Company's data security systems or failure of its information systems may have a material adverse impact on the Company's business operations and financial results. If the IT systems, networks, or service providers the Company relies upon fail to function properly, or if the Company suffers a loss or disclosure of business or other sensitive information due to any number of causes, ranging from catastrophic events to power outages to security breaches, and the Company's disaster recovery plans do not effectively address these failures on a timely basis, the Company may suffer interruptions in its ability to manage operations and reputational, competitive, or business harm, which may have a material adverse effect on the Company's business, financial condition, or results of operations. In addition, such events could result in unauthorized disclosure of material confidential information, and the Company may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to the Company or to its partners, employees, customers, and suppliers. Although the Company maintains insurance coverage for various cybersecurity risks, in any of these events, it could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and IT systems.

## **Cybersecurity breach and data collection risks**

Numerous state, federal and foreign laws and regulations govern the collection, dissemination, use, privacy, confidentiality, security, availability and integrity of personally identifiable information, including The *Health Insurance Portability and Accountability Act of 1996*, as amended, and the regulations that have been issued thereunder ("HIPAA"). In the provision of products and services to the Company's customers, the Company and its third-party vendors may collect, use, maintain and transmit patient health and customer information in ways that are subject to many of these laws and regulations. If the Company or any of its subcontractors experiences a breach of the privacy or security of customer information, the breach reporting requirements and the liability for business associates



under HIPAA (or similar requirements under other similar laws) could result in substantial financial liability and reputational harm to the Company.

Federal, state and foreign consumer laws also regulate the collection, use and disclosure of personal or patient health information, through web sites or otherwise, and regulate the presentation of web site content. Numerous other federal and state laws protect the confidentiality, privacy, availability, integrity and security of personally identifiable information. These laws in many cases are more restrictive than, and not pre-empted by, HIPAA and may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for the Company and its customers and potentially exposing it to additional expense, adverse publicity and liability. The Company may not remain in compliance with the diverse privacy requirements in all of the jurisdictions in which it does business.

HIPAA and other federal, state or foreign laws and regulations may require users of personally identifiable information to implement specified security measures. Evolving laws and regulations in this area could require the Company to incur significant additional costs to re-design its products and services in a timely manner to reflect these legal requirements, which could have an adverse impact on the Company's business.

New personally identifiable information standards, whether implemented pursuant to HIPAA, congressional action or otherwise, could have a significant effect on the manner in which the Company must handle healthcare related data, and the cost of complying with standards could be significant. If the Company does not properly comply with existing or new laws and regulations related to patient health information, it could be subject to criminal or civil sanctions.

If the Company's security measures are breached or fail and unauthorized access is obtained to a customer's data, the Company's services may be perceived as insecure, the attractiveness of its products and services to current or potential customers may be reduced, and it may incur significant liabilities.

The Company's business involves the storage and transmission of customers' proprietary information and patient information, including health, financial, payment and other personal or confidential information. The Company relies on proprietary and commercially available systems, software, tools and monitoring, as well as other processes, to provide security for processing, transmission and storage of such information. Because of the sensitivity of this information and due to requirements under applicable laws and regulations, the effectiveness of such security efforts is very important. If the Company's security measures are breached or fail as a result of third-party action, employee error, malfeasance or otherwise, someone may be able to obtain unauthorized access to customer or patient data. Improper activities by third-parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in a compromise or breach of the Company's (or its third-party vendors') computer systems. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, and the Company may be unable to anticipate these techniques or fail to implement adequate preventive measures. The Company's security measures may not be effective in preventing such unauthorized access. If a breach of the Company's security occurs, it could face damages for contract breach, penalties for violation of applicable laws or regulations, possible lawsuits by individuals affected by the breach and significant remediation costs and efforts to prevent future occurrences. In addition, whether there is an actual or a perceived breach of the Company's security, the market perception of the effectiveness of its security measures could be harmed and the Company could lose current or potential customers.

### **Legality of contracts**

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. Federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. Federal and certain state courts. The inability to enforce such contracts may have a material adverse effect on the Company's business, financial position or results of operations.

### **Unfavourable publicity or consumer perception**

Management of the Company believes the adult-use cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the adult-use cannabis produced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of adult-use cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the adult-use cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse

effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of adult-use cannabis in general, or the Company's products specifically, or associating the consumption of adult-use cannabis with illness or other negative effects or events, could have a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

### **Changing social mores and opinions on cannabis**

Consumer interest in cannabis related products may be affected by many factors outside of the Company's control, including general economic conditions, changing social mores and opinions, popular opinion toward personal use and/or medical cannabis, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt and consumer behaviors towards incurring and paying debt, the costs of basic necessities, and the effects of weather or natural disasters. Any decline in discretionary spending by consumers could negatively affect the cannabis industry operations and financial results. The Company's success will depend upon its ability to anticipate and respond in a timely manner to changing trends, customer demands and demographics.

In addition, consumer acceptance of regulated cannabis products may vary significantly over time, and any stigma associated with cannabis use may increase or decrease. Because the Company's operations will be dependent upon continued market acceptance by consumers, any negative trends will adversely affect the Company's operations and financial results. The Company's failure to anticipate, identify or react appropriately to changes in customer tastes, preferences, shopping and spending patterns and other lifestyle decisions could have a material adverse effect on holdings' financial condition and results of operations. Because the Company's business will be dependent upon continued market acceptance by consumers, any negative trends may adversely affect operations.

### **Risks inherent in an agricultural business**

The Company's business plan relies, in part, on its affiliated entities' ability to grow, harvest, and package medical and adult-use cannabis with the intention of deriving revenue from the sale of harvested cannabis plant material to the Company's licensed processors and provisioning centers, as well as third-party processors and provisioning centers. As such, the Company's profitability is dependent, in part, on the affiliated cultivators' and processors' ability to successfully, grow, harvest and package quality product. The Company's business is thus subject to the risks inherent in agriculture, such as insects, plant diseases destruction or damage caused by natural disasters or severe weather and similar agricultural risks, which may have a material adverse effect on the Company's business, financial position or results of operations.

### **Results of future clinical research**

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although certain articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of securities of the Company should not place undue reliance on such articles and reports. Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

### **Risks Related to the Company, its Business and Securities**

#### **The Company is a holding company**

The Company is a holding company and essentially all of its assets are the capital stock of its subsidiaries in each of the markets the Company operates in, including, Illinois, Massachusetts, Delaware, Maryland and Nevada. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of

any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

### **Sales of substantial amounts of a particular class of securities may have an adverse effect on the market price of such securities**

Sales of substantial amounts of a particular class of securities of the Company, or the availability of such securities for sale, could adversely affect the prevailing market prices for such class of securities. A decline in the market prices of a particular class of the Company's securities could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

### **Volatile market price for the Company's securities**

The market price for the Company's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the cannabis industry;
- addition or departure of the Company's executive officers and other key personnel;
- sales or perceived sales of additional Common Shares, or other classes of shares of the Company;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the cannabis industry generally and the Company's business and operations both domestically and abroad;
- regulatory changes affecting businesses generally within jurisdictions in which the Company operates or does business both domestically and abroad;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's securities may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Company's securities may be materially adversely affected.

## **Limited Operating History**

The Company has been actively engaged in the marijuana related business for a relatively short period of time and, accordingly, it has only limited financial results on which you can evaluate the Company and its operations. In addition, the components of the Company's revenue and costs are changing as it moves away from a fee-based-only business to seed-to-sale operations. The Company is subject to, and must be successful in addressing, the risks typically encountered by companies operating in the rapidly evolving cannabis marketplace, including those risks relating to:

- the failure to develop brand name recognition and reputation;
- the failure to achieve market acceptance of our services;
- a slowdown in general consumer acceptance of legalized marijuana; and
- an inability to grow and adapt our business to evolving consumer demand.

## **Nascent nature of cannabis industry**

Although the Company's directors, officers and executives have extensive knowledge of the cannabis industry, the Company operates in a volatile and evolving industry that may not develop as expected. Assessing the future prospects of the Company's business is challenging in light of both known and unknown risks and difficulties we may encounter. Growth prospects in our industry can be affected by a wide variety of factors including:

- Competition from other similar companies;
- Regulatory limitations on the products the Company can offer and markets it can serve;
- Other changes in the regulation of medical and recreational cannabis use;
- Changes in underlying consumer behavior;
- the Company's ability to access adequate financing on reasonable terms and its ability to raise additional capital in order to fund its operations;
- Challenges with new products, services and markets; and
- Fluctuations in the credit markets and demand for credit.

The Company may not be able to successfully address these factors, which could negatively impact the growth, harm the Company's business and cause its operating results to be worse than expected.

## **Evolving business strategy**

While the Company has existing operations and is generating revenues, it plans to expand its operations and staff to meet the requirements of its business initiatives. The commercial response to the product offerings is still uncertain, and although the Company believes that its strategy incorporates advantages compared to other cannabis business models, if patients or consumers do not respond favorably to the Company's products or if it takes longer to develop its products or establish its customer base or it proves to be more costly than currently anticipated to develop its businesses, revenues may be adversely affected.

## **Discretion in the available funds**

Management has discretion concerning the use of the Company's available funds, as well as the timing of their expenditure. See "*Use of Available Funds*". As a result, investors will be relying on the judgment of management for the application of the Company's available funds. The results and the effectiveness of the application of the available funds are uncertain. If the available funds are not applied effectively, the results of the Company's operations may suffer. Management currently intends to allocate the available funds as described under "*Use of Available Funds*", however, management may elect to allocate the available funds differently from that

described under "*Use of Available Funds*" if it believes it would be in the Company's best interest to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the Company's available funds.

### **Future acquisitions or dispositions**

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; (vi) loss or reduction of control over certain of the Company's assets; and (vii) litigation or other disputes concerning either the Company's obligations to counterparties under relevant transaction documents or liabilities of an acquisition target or its previous owners (whether disclosed or undisclosed at the time of the relevant transaction).

Additionally, the Company may issue additional Common Shares or other securities of the Company in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. While the Company attempts to obtain appropriate indemnification provisions in connection with its acquisitions and dispositions, the Company may still be exposed to significant financial or reputational risk as a result of entering into such transactions.

### **Additional financings and dilution**

There can be no assurance that additional financing will be available if required and, if available, that it will be on terms satisfactory to the Company. If the Company is able to raise additional capital, it is unknown what the terms of any such capital raising would be. In addition, any future sale of the Company's equity securities would dilute the ownership and control the Company's current equity securityholders. The Company's inability to raise capital could require it to significantly curtail or terminate its operations.

The Company may seek to increase its cash reserves through the sale of additional equity or debt securities. The sale of convertible debt securities or additional equity securities could result in additional and potentially substantial dilution to owners of equity securities of the Company. The incurrence of indebtedness would also result in increased debt service obligations and could result in operating and financing covenants that would restrict the Company's operations and liquidity. In addition, the Company's ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. There are no assurances that financing will be available in amounts or on terms acceptable to the Company, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on the Company's liquidity and financial condition.

### **Management of debt dependent on cash flow**

An economic downturn may negatively impact the Company's cash flows. Credit and capital markets can be volatile, which could make it more difficult for the Company to obtain additional debt or equity financings in the future. Such constraints could increase the Company's costs of borrowing and could restrict its access to other potential sources of future liquidity. The Company's failure to have sufficient liquidity to make interest and other payments required by its debt could result in a default of such debt and acceleration of the Company's borrowings, which would have a material adverse effect on the Company's business and financial condition. To the extent the Company incurs indebtedness, principal and interest payments on such indebtedness will have to be made when due, regardless of whether sufficient cash flow or income is available. If payments on any debts and obligations are not made when due, it may result in substantial adverse consequences to the Company, including adverse income tax consequences.

### **Dividends**

The Company does not intend to declare dividends for the foreseeable future, as the Company anticipates that it will reinvest any future earnings in the development and growth of its business. Therefore, investors will not receive any funds unless they sell their securities in the Company, and securityholders may be unable to sell their securities on favorable terms or at all.

### **Environmental regulation**

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies

and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

### **Unknown environmental risks**

There can be no assurance that the Company will not encounter hazardous conditions at the site of the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended. If the Company receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Company.

### **Reliance on management**

A risk associated with the production and sale of adult-use cannabis is the loss of important staff members. The success of our business is currently dependent, in large part, upon our ability to hire and retain additional qualified management, marketing, technical, financial, and other personnel if and when our growth so requires. Competition for qualified personnel is intense and we may not be able to hire or retain such additional qualified personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any inability to attract and retain qualified management and other personnel would have a material adverse effect on our ability to grow our business and operations.

The success of our business is currently dependent, in large part, on the personal efforts of Robert Fireman, Jon R. Levine, and Timothy Shaw, our chief executive officer, chief financial officer, and chief operating officer, respectively. The loss of their services could have a material adverse effect on our business.

### **Dependence on strategic business decisions**

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; (vi) loss or reduction of control over certain of the Company's assets; and (vii) litigation or other disputes concerning either the Company's obligations to counterparties under relevant transaction documents or liabilities of an acquisition target or its previous owners (whether disclosed or undisclosed at the time of the relevant transaction). Additionally, the Company may issue additional Common Shares, or other such equity interests in the Company, in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. While the Company attempts to obtain appropriate indemnification provisions in connection with its acquisitions and dispositions, the Company may still be exposed to significant financial or reputational risk as a result of entering into such transactions.

### **Improper conduct by business partners, employees or agents**

As the Company intends to be a cultivator, producer and provisioner of cannabis, it will largely depend on third party retailers to resell its cannabis and related products to end-user consumers. These suppliers could tamper with the Company's products or otherwise ignore

our quality standards, which could harm the end-user customers, with whom the Company has no contact. Any changes in the Company's retailer customer's business or fortunes could disrupt the Company's ability to sell its products at volume. Any such changes or other unrelated production issues could also disrupt the Company's business due to delays in finding new retailers.

Furthermore, the Company cannot provide assurance that its internal controls and compliance systems will always protect it from acts committed by its employees, agents or business partners in violation of federal or state laws. Any improper acts or allegations could damage the Company's reputation and subject it to civil or criminal investigations and related shareholder lawsuits, could lead to substantial civil and criminal monetary and non-monetary penalties, and could cause the Company to incur significant legal and investigatory fees.

### **Insurance and uninsured risks**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. Moreover, there are exclusions and additional difficulties and complexities associated with certain insurance coverages due to the Company's involvement in the cannabis industry. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company's access to adequate and affordable insurance is significantly limited by the nature of the Company's business, which may prevent it from purchasing adequate and affordable insurance coverage. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **High bonding**

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Company is not able to quantify at this time the potential scope for such bonds or fees where it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Company's business.

### **Past performance not indicative of future results**

The prior investment and operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company or its affiliates will be achieved by the Company, and the Company's performance may be materially different.

### **Dependence on key inputs, suppliers and skilled labour**

The cannabis business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

The Company's access to affordable skilled labour may be impeded by the existence of unionization or other collective bargaining efforts among the Company's employees or independent contractors. The Company may also be legally required to participate in or facilitate such unionization or collective bargaining efforts within certain jurisdictions, which could limit the Company's access to affordable skilled labour and have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

### **Permits and Authorizations**

The Company may be able to obtain or maintain the necessary licenses, permits, authorizations, or accreditations, or may only be able to do so at great cost, to operate its marijuana business. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the marijuana industry. Failure to comply with or to obtain or maintain the necessary licenses, permits, authorizations, or accreditations could result in restrictions on our ability to operate the marijuana business, which could have a material adverse effect on our business.

### **Reliance on License**

The Company's ability to cultivate, store, produce and distribute medical and adult-use marijuana products in Illinois, Massachusetts, Delaware, Maryland and Nevada is dependent on maintaining its licenses in good standing with each applicable State regulator. Failure to comply with the requirements of any of its licenses or any failure to maintain any of the licenses would have a material adverse impact on the business, financial condition and operating results of the Company. The Company's (or its subsidiaries) licenses related to its ability to cultivate, store, produce and distribute medical and adult-use marijuana products (as applicable) in Illinois and Massachusetts are currently in good standing.

### **Reliance on License Holders**

The Company's business is dependent on the commercial arrangements with license holders continuing their current operations, maintaining their respective licenses in good standing and applying for and receiving any additional necessary licenses and compliance with their terms. There can be no guarantee that any required licenses will be extended or renewed, or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Failure by the Company or any of the license holders to comply with the requirements of any regulation or license or any failure to maintain any license or obtain any additional necessary licenses could have a material adverse impact on the business, financial condition and operating results of the Company. While the Company expects this concentration to decrease over time, it may continue to depend upon a relatively small number of license holders for a significant portion of revenue into the foreseeable future.

### **Difficulty to forecast**

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the adult-use cannabis industry in the states in which the Company's business will operate. Federal and state laws prevent widespread participation and hinder market research. As a result, the market data available is limited and unreliable. Market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Company's management team as of the date they are made. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

### **Changes in the general economic condition**

The Company's activities may be adversely affected from time to time by such matters as changes in general economic, industrial and international conditions, changes in local, state, provincial and federal taxes, dynamic prices and production costs, utility rate changes, employment and human resources issues, leasing and real estate market, gasoline prices, other factors of a general nature that are beyond the control of the Company.

Weak domestic or global economic conditions, fear or anticipation of such conditions, could adversely affect the Company's business, financial condition, results of operations and prospects in a number of ways, including longer sales cycles, lower prices for its services, higher default rates among its provisioners, reduced unit sales and lower or no growth. A prolonged period of economic uncertainty or a downturn may also significantly affect financing markets, the availability of capital and the terms and conditions of financing arrangements, including the overall cost of financing as well as the financial health or creditworthiness of the Company's end customers.



## **Management of growth**

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

## **Internal controls**

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under United States and Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's securities.

## **Litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's securities and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources of the Company and/or the Company's management.

As the legalization of cannabis for the medical and/or adult-use is a highly controversial issue, the Company may be subject to litigation prior to, or after, passage of legislation and/or a constitutional amendment legalizing cannabis for certain uses. In addition, although the Company itself may not be directly named in a civil action, any litigation involving any of the Company's subsidiaries or affiliated entities could negatively affect the Company's profits and impact its ability to conduct business operations as planned. Such litigation could have a material adverse effect on the financial position of the Company.

## **Product liability**

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

## **Product recalls**

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could

lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the FDA, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### **Regulatory action and approvals from the Food and Drug Administration**

Certain cannabis-based are supplied to patients diagnosed with certain medical conditions. However, such cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the *Food, Drug and Cosmetic Act* ("FDCA").

CBD is one of the non-psychoactive cannabinoids in industrial hemp from the plant species *Cannabis sativa* L. There has been growing interest in CBD in recent years. CBD is increasingly used as an ingredient in food and beverages, as an ingredient in dietary supplements and as an ingredient in cosmetics, thereby generating new investments and creating employment in the cultivation and processing of hemp and hemp-derived products. Pharmaceutical products with CBD as an active ingredient have also been developed, including one product approved by the FDA (Epidiolex®). Foods and beverages, dietary supplements, pharmaceuticals, and cosmetics containing CBD are all subject to regulation under the FDCA. The FDA has asserted that CBD is not a lawful ingredient in foods and beverages, supplements and pharmaceuticals (unless FDA-approved), although the FDA has generally refrained from taking enforcement action against those products. CBD-containing products may also be subject to the jurisdiction of state and local health authorities.

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

On December 20, 2018, the 2018 Farm Bill removed industrial hemp and hemp-derived products with a THC concentration of not more than 0.3 percent (dry weight basis) from Schedule I of the CSA. This has the effect of legalizing the cultivation of industrial hemp for commercial purposes, including the production of CBD and other cannabinoids, except for THC, subject to regulations to be developed by the USDA.

The Company's affiliates sell and distribute certain products containing CBD. There is a risk that the FDA or state or local Departments of Health will seek to stop the Company's affiliates from selling its CBD products or seek to have any claims made for those products revised.

### **Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers**

The directors and officers of the Company reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons.

### **Epidemics and pandemics**

The Company faces risks related to health epidemics, pandemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the novel strain of coronavirus ("**COVID-19**") pandemic or other epidemics and/or pandemics. In December 2019, COVID-19 emerged in China and the virus has now spread to several other countries, including Canada and the United States, and infections have been reported globally. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The extent to which COVID-19 impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic (including recommendations from public health officials). In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, store or facility closures or reduced operational hours or service methods, employee health, workforce productivity, reduced access to supply, increased insurance premiums, limitations on travel, the availability of experts and personnel and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on its business, financial condition and results of operations. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased costs as a result of these health risks. In addition, the COVID-19 pandemic represents a widespread global health crisis that could

adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the Company.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS MATTERS

### Legal Proceedings

The Company is from time to time involved in legal proceedings of a nature considered normal to its business. The Company believes that none of the litigation disclosed herein or which it is currently involved, or has been involved, is material to its consolidated financial condition or results of operations or is expected to become material to the consolidated financial condition or results of operations of the Company. The litigation described below is currently the only pending legal proceedings involving the Company and its subsidiaries.

#### *Kind Litigation*

In November 2019, Kind commenced an action by filing a complaint against the Company in the Circuit Court for Washington County, MD captioned Kind Therapeutics USA, Inc. vs. MariMed, Inc., et al. (Case No. C-21-CV-19-000670) (the "**Complaint**"). The Complaint, as amended, alleges breach of contract, breach of fiduciary duty, unjust enrichment, intentional misrepresentation, rescission, civil conspiracy, and seeking an accounting and declaratory judgment and damages in excess of \$75,000 (the Court has subsequently dismissed Kind's claims for declaratory judgment on the lease, rescission of the lease, and civil conspiracy). On November 15, 2019, the Company filed counterclaims against Kind and a third-party complaint against the members of Kind (Jennifer DiPietro, Susan Zimmerman, and Sophia Leonard-Burns) and William Tham (the "**Counterclaims**"). The Counterclaims, as amended, allege breach of contract with respect to each of the partnership/joint venture agreement, the MOU, the MSA, the Lease, and the Licensing and Manufacturing Agreement ("**LMA**"), unjust enrichment, promissory estoppel/detrimental reliance, fraud in the inducement, breach of fiduciary duty, and seeks reformation of the MSA, a declaratory judgment regarding enforceability of the partnership/joint venture arrangement and/or the MOU, specific performance of the parties' various contracts, and the establishment of a constructive trust for the Company's benefit. The Counterclaims also seek damages.

At the time the Complaint and Counterclaims were filed, both parties, the Company (including its subsidiaries Mari Holdings MD LLC and MariMed Advisors Inc.) and Kind, brought motions for a temporary restraining order and a preliminary injunction. By Opinion and Order entered on November 21, 2019, the Court denied both parties motions for a temporary restraining order. In its opinion, the Court specifically noted that, contrary to Kind's allegations, the MSA and the Lease "appear to be independent, valid and enforceable contracts."

A hearing on the parties' cross-motions for preliminary injunction was held in September 2020 and November 2020. Also in November 2020, the Court granted the Company's motion for summary judgment as to the Lease, determining that the Lease is valid and enforceable. Based on this ruling, the Company is seeking judgment at trial in the amount of approximately \$5.4 million for past due rent and expenses owed by Kind under the Lease.

In December 2020, the Court entered a Preliminary Injunction Order, accompanied by a Memorandum Opinion, denying Kind's motion for a preliminary injunction (which Kind had withdrawn at the conclusion of the hearing) and granting the Company's request for preliminary injunction. The Court determined that the Company is likely to succeed with respect to the validity and enforceability of the MSA and the LMA, that the Company would suffer substantial and irreparable harm without the preliminary injunction, and that the balance of convenience and public interest both warranted the issuance of a preliminary injunction in the Company's favor. The Court ordered, *inter alia*, that the MSA and LMA are in effect pending judgment after trial on the merits, and that Kind and its members, and their attorneys, agents, employees, and representatives, are prohibited from (a) interfering with the Company's duties and responsibilities under the MSA and (b) withdrawing funds, making any distribution, paying any loans, returning any capital, or making any payment towards a debt from any Kind bank or other financial account(s) without written consent of the Company or Order of the Court, thereby preserving the Company's control of Kind's operations and finances at least through the jury trial currently scheduled to begin on March 28, 2022. Further, the Court ordered Kind to pay management and licensing fees to the Company beginning January 1, 2021. Kind has noted an appeal of the Order to the Maryland Court of Special Appeals, which the Court denied in December 2021, leaving the preliminary injunction order in effect.

In addition to the favorable rulings on the Lease, MSA, and LMA, the Company believes that its claims for declaratory relief, specific performance, and/or breach of contract with respect to the partnership/joint venture agreement claims are meritorious. Further, the Company believes that Kind's claims against the Company are without merit. On March 18, 2021, the Court issued an opinion and order on Kind's motion for summary judgment finding that the MOU was not enforceable by the Company against Kind as a final binding agreement. The Company is evaluating an appeal of this ruling which under Maryland rules can only be pursued upon final judgment.

In March 2021, the Kind parties filed motions to modify the preliminary injunction order or, alternatively, for direction from the Court based on Kind's claim to have terminated the MSA. In September 2021, the court denied the motion to modify the preliminary injunction and granted, in part, the motion for direction, but only with respect to Kind's request to pay litigation costs. The preliminary injunction remains in full effect, and the Company filed a petition for civil contempt against the Kind parties for interfering with the Company's management of Kind. The contempt petition remains pending.

On December 31, 2021, the parties to the foregoing Maryland litigation entered into a global Confidential Settlement and Release Agreement, along with the parties to the DiPietro lawsuit (described below). Also on such date, as previously discussed in Part I, Item 1. *Business* in this report, the Company entered into (i) a membership interest purchase agreement with the members of Kind to acquire 100% of the equity ownership of Kind, and (ii) a membership interest purchase agreement with one of the members of Kind to acquire such member's entire equity ownership interest Mari-MD and Mia.

On January 4, 2022, the Maryland court entered an order staying the litigation and rescheduling the jury trial to October 24, 2022, to November 4, 2022, in the event the transactions contemplated by the Confidential Settlement and Release Agreement are not consummated. Otherwise, simultaneous with the closing of the transactions contemplated by the Confidential Settlement and Release Agreement, the foregoing Maryland litigation will be dismissed with prejudice, along with the DiPietro lawsuit.

In the event the transactions contemplated by the Confidential Settlement and Release Agreement are not consummated, the Company intends to aggressively prosecute and defend the action.

#### DiPietro Lawsuit

In August 2020, Jennifer DiPietro, directly and derivatively on behalf of Mari-MD and Mia, commenced a suit against the Company's CEO, CFO, and wholly-owned subsidiary MariMed Advisors Inc. ("MMA"), in Suffolk Superior Court, Massachusetts.

In this action, DiPietro, a party to prior ongoing litigation in Maryland involving the Company and Kind as discussed above, brings claims for breach of fiduciary duty, breach of contract, fraud in the inducement, aiding and abetting the alleged breach of fiduciary duty, and also seeks access to books and records and an accounting related to her investments in Mari-MD and Mia. DiPietro seeks unspecified money damages and rescission of her interest in Mari-MD, but not of her investment in Mia, which has provided substantial returns to her as a member.

The Company has answered the complaint and MMA filed counterclaims against DiPietro on its own behalf and derivatively on behalf of Mari-MD for breach of her fiduciary duties to each of those entities, and for tortious interference with Mari-MD's lease and MMA's management services agreement with Kind.

On December 31, 2021, the parties to the foregoing Massachusetts litigation entered into a global Confidential Settlement and Release Agreement, along with the parties to the Maryland lawsuit described above. Because the Massachusetts litigation involves derivative claims, the Massachusetts Superior Court must approve the parties' proposed dismissal of those claims. The parties to the Massachusetts litigation have filed a joint motion seeking to dismiss the derivative claims. Simultaneous with the closing of the transactions contemplated by the Confidential Settlement and Release Agreement, all direct claims in the foregoing Massachusetts litigation will be dismissed with prejudice, along with the Maryland lawsuit.

In the event the transactions contemplated by the Confidential Settlement and Release Agreement are not consummated, the Company believes that the allegations of the complaint in the foregoing Massachusetts litigation are without merit and intends to defend the case vigorously. The Company's counterclaim seeks monetary damages from DiPietro, including the Company's legal fees in the Maryland lawsuit.

#### Bankruptcy Claim

During 2019, the Company's MMH subsidiary sold and delivered hemp seed inventory to GenCanna Global Inc., a Kentucky-based cultivator, producer, and distributor of hemp ("GenCanna"). At the time of sale, the Company owned a 33.5% ownership interest in GenCanna. The Company recorded a related party receivable of approximately \$29.0 million from the sale, which was fully reserved on December 31, 2019.

In February 2020, GenCanna USA, GenCanna's wholly-owned operating subsidiary, under pressure from certain of its creditors including MGG Investment Group LP, GenCanna's senior lender ("MGG"), agreed to convert a previously-filed involuntary bankruptcy proceeding with the U.S. Bankruptcy Court in the Eastern District of Kentucky (the "Bankruptcy Court") into a voluntary Chapter 11 proceeding. In addition, GenCanna and GenCanna USA's subsidiary, Hemp Kentucky LLC (collectively with GenCanna and GenCanna USA, the "GenCanna Debtors"), filed voluntary petitions under Chapter 11 in the Bankruptcy Court.

In May 2020, after an abbreviated solicitation/bid/sale process, the Bankruptcy Court, over numerous objections by creditors and shareholders of the GenCanna Debtors which included the Company, entered an order authorizing the sale of all or substantially all of the assets of the GenCanna Debtors to MGG. After the consummation of the sale of all or substantially all of their assets and business, the GenCanna Debtors n/k/a OGGUSA, Inc. and OGG, Inc. (the "OGGUSA Debtors") filed their liquidating plan of reorganization (the "Liquidating Plan") to collect various prepetition payments and commercial claims against third parties, liquidate the remaining assets of the ODDUSA Debtors, and make payments to creditors. The Company and the unsecured creditors committee filed objections to such Liquidating Plan, including opposition to the release of litigation against the OGGUSA Debtors' senior lender, MGG, for lender liability, equitable subordination, and return of preference. As a part of such plan confirmation process, the OGGUSA Debtors filed various objections to proofs of claims filed by various creditors, including the proof of claim in the amount of approximately \$33.6 million filed by the Company. Through intense and lengthy negotiations with the OGGUSA Debtors and the unsecured creditors committee regarding the objections to the Liquidating Plan, the Company reached an agreement with the OGGUSA Debtors to withdraw the objections to the Company's claim and to have it approved by the Bankruptcy Court as a general unsecured claim in the amount of \$31.0 million.

Since the approval of the Liquidating Plan, the OGGUSA Debtors have been in the process of liquidating the remaining assets, negotiating and prosecuting objections to other creditors' claims, and pursuing the collection of accounts receivable and Chapter 5 bankruptcy avoidance claims.

In January 2022, the Company, at the request of the Liquidating Plan administrator for the OGGUSA Debtors, executed a written release of claims, if any, of the Company against Huron Consulting Group ("Huron"), a financial consulting and management company retained by the senior lender of the OGGUSA Debtors to perform loan management services for the lender and OGGUSA Debtors prior to and during their Chapter 11 bankruptcy cases. Such release was executed in connection with a comprehensive settlement agreement between the OGGUSA Debtors and Huron. In consideration for the Company's execution of the release, Huron paid an additional \$40,000 to the bankruptcy estates of the OGGUSA Debtors to be included in the funds to be distributed to creditors, including the Company.

As of the date of this filing, there is still insufficient information as to what portion, if any, of the Company's allowed claim will be paid upon the completion of the liquidation of the remaining assets of the OGGUSA Debtors.

#### **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS**

Mr. Robert Fireman, Mr. Jon R. Levine, Dr. Eva Selhub, Mr. David Allen and Mr. Edward Gildea reside outside of Canada and have appointed Fogler, Rubinoff LLP, 77 King Street West, Suite 3000, Toronto, ON M5K 1G8, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

#### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No insider, director or executive officer of the Company and no associate of any director, executive officer, or insider has any material interest, direct or indirect, in any transaction within the three (3) years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company. See "*Executive Compensation*" and "*Description of the Business*".

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

##### **Auditors**

The Company's auditor is M&K CPAS, PLLC at its offices located at 363 N Sam Houston Pkwy E, Houston, TX 77060.

##### **Transfer Agent and Registrar**

The transfer agent and registrar for the Company's securities is Olde Monmouth Stock Transfer Co., Inc., 200 Memorial Pkwy, Atlantic Heights, NJ 07716. The co-transfer agent and registrar for the Company's securities in Canada will be Odyssey Trust Company at its principal office located at Stock Exchange Tower, 350-300 5th Avenue SW, Calgary, Alberta, T2P 3C4.

#### **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company to the date hereof which are currently in effect and considered to be material:

1. Securities Purchase Agreement, dated March 1, 2021, between the Company and Hadron.
2. First Amendment to Securities Purchase Agreement, dated March 18, 2021, between the Company and Hadron.
3. Membership Interest Purchase Agreement, dated December 31, 2021, between the Company and Jennifer DiPietro, Susan Zimmerman and Sophia Leonard-Burns.
4. Membership Interest Purchase Agreement, dated December 31, 2021, between MariMed Advisors Inc. and Jennifer DiPietro.

#### **EXPERTS**

The following are the names of each person or company who has prepared or certified a report, valuation, statement or opinion in this Prospectus, either directly or in a document incorporated by reference, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company. No such person or company has received or shall receive a direct or indirect interest in the property of the Company or any associate or affiliate of the Company.

The auditor of the Company is M&K CPAS, PLLC, Chartered Professional Accountants, in Houston, Texas. M&K CPAS, PLLC, has confirmed that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in the United States and any applicable legislation or regulation.

Certain legal matters relating to this Prospectus will be passed upon on behalf of the Company by Fogler, Rubinoff LLP. As of the date of this Prospectus, the respective "designated professionals" (as such term is defined in Form 51-102F2 – *Annual Information Form*) of Fogler, Rubinoff LLP, beneficially own, directly or indirectly, less than 1% of any outstanding securities of any class of the Company or any associate or affiliate of the Company.

**SCHEDULE "A"**  
**MARIMED FINANCIALS AND MD&A**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of MariMed Inc.

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of MariMed Inc. (the Company) as of December 31, 2021 and 2020, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

### **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 Public Company Accounting Oversight Board (United States) (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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

### ***Revenue Recognition***

As discussed in Note 2 to the financial statements, when another party is involved in providing goods or services to the Company's clients, a determination is made as to who is acting in the capacity as the principal in the sales transaction.

Auditing management's evaluation of agreements with customers involves significant judgment, given the fact that some agreements require management's evaluation of principal versus agent.



To evaluate the appropriateness and accuracy of the assessment by management, we evaluated management's assessment in relationship to the relevant agreements.

***Inventory***

As discussed in Notes 2 & 7, the Company allocates a certain percentage of overhead cost to its manufactured inventory.

Auditing management's allocation of overhead involves significant judgements and estimates to determine the proper allocation.

To evaluate the appropriateness of the allocation of overhead to inventory, we evaluated management's significant judgments and estimates in what parts of overhead should be included and the allocation of these costs.

***Mezzanine Equity***

As discussed in Notes 13, the Company has issued and outstanding Series B Convertible Preferred Shares that contain redemption rights, cumulative fixed rate interest, voting rights and conversion rights.

Auditing management's evaluation of the preferred shares involves significant judgements and estimates in determining the proper classification of the preferred shares that include both debt and equity qualities.

To evaluate the appropriateness and accuracy of the classification of the preferred shares, we evaluated management's assessment of the debt and equity like characteristics.

M&K CPAS, PLLC

We have served as the Company's auditor since 2018.

Houston, TX  
March 16, 2022

MariMed Inc.  
Consolidated Balance Sheets

	December 31,	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,683,014	\$ 2,999,053
Accounts receivable, net	1,666,248	6,675,512
Deferred rents receivable	1,677,715	1,940,181
Note receivable, current portion	126,713	658,122
Inventory	9,767,856	6,830,571
Investments	250,600	1,357,193
Other current assets	1,440,831	582,589
Total current assets	<u>44,612,977</u>	<u>21,043,221</u>
Property and equipment, net	62,150,146	45,636,529
Intangibles, net	2,230,303	2,228,560
Investments	-	1,165,788
Note receivable, less current portion	8,986,557	965,008
Right-of-use assets under operating leases	5,081,230	5,247,152
Right-of-use assets under finance leases	45,737	78,420
Other assets	97,951	80,493
Total assets	<u>\$ 123,204,901</u>	<u>\$ 76,445,171</u>
<b>Liabilities, mezzanine equity, and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 5,098,533	\$ 5,044,918
Accrued expenses	1,348,673	2,725,544
Income taxes payable	16,467,264	895,725
Sales and excise taxes payable	1,797,755	1,053,693
Debentures payable	-	1,032,448
Notes payable, current portion	9,891	8,859,175
Mortgages payable, current portion	1,400,331	1,387,014
Operating lease liabilities, current portion	1,071,079	1,008,227
Finance lease liabilities, current portion	27,123	38,412
Due to related parties	-	1,157,815
Other current liabilities	1,920	23,640
Total current liabilities	<u>27,222,569</u>	<u>23,226,611</u>
Notes payable, less current portion	448,341	10,682,234
Mortgages payable, less current portion	16,813,466	14,744,136
Operating lease liabilities, less current portion	4,573,857	4,822,064
Finance lease liabilities, less current portion	22,455	44,490
Other liabilities	100,200	100,200
Total liabilities	<u>49,180,888</u>	<u>53,619,735</u>
<b>Mezzanine equity:</b>		
Series B convertible preferred stock, \$0.001 par value; 4,908,333 shares authorized, issued and outstanding at December 31, 2021 and 2020	14,725,000	14,725,000
Series C convertible preferred stock, \$0.001 par value; 6,216,216 and zero shares authorized, issued and outstanding at December 31, 2021 and 2020, respectively	<u>23,000,000</u>	<u>-</u>

Total mezzanine equity	37,725,000	14,725,000
Stockholders' equity:		
Undesignated preferred stock, \$0.001 par value; 38,875,451 and 45,091,667 shares authorized at December 31, 2021 and 2020, respectively; zero shares issued and outstanding at December 31, 2021 and 2020	-	-
Common stock, \$0.001 par value; 700,000,000 and 500,000,000 shares authorized at December 31, 2021 and 2020, respectively; 334,030,348 and 314,418,812 shares issued and outstanding at December 31, 2021 and 2020, respectively	334,030	314,419
Common stock subscribed but not issued; zero and 11,413 shares at December 31, 2021 and 2020, respectively	-	5,365
Additional paid-in capital	134,920,382	112,974,329
Accumulated deficit	(97,392,017)	(104,616,538)
Noncontrolling interests	(1,563,382)	(577,139)
Total stockholders' equity	<u>36,299,013</u>	<u>8,100,436</u>
Total liabilities, mezzanine equity, and stockholders' equity	<u>\$ 123,204,901</u>	<u>\$ 76,445,171</u>

*See accompanying notes to consolidated financial statements.*

MariMed Inc.  
Consolidated Statements of Operations

	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
Revenues	\$ 121,464,158	\$ 50,895,151
Cost of revenues	<u>55,201,078</u>	<u>19,570,257</u>
Gross profit	66,263,080	31,324,894
Operating expenses:		
Personnel	8,351,397	5,501,756
Marketing and promotion	1,625,111	410,626
General and administrative	27,560,665	9,899,367
Bad debts	1,862,417	982,488
Total operating expenses	<u>39,399,590</u>	<u>16,794,237</u>
Operating income	26,863,490	14,530,657
Non-operating income (expenses):		
Interest expense	(2,355,904)	(9,810,475)
Interest income	108,219	156,345
Loss on obligations settled with equity	(2,546)	(44,678)
Equity in earnings of investments	-	98,813
Change in fair value of investments	(1,106,593)	(349,638)
Other	309,212	(84,708)
Total non-operating expenses, net	<u>(3,047,612)</u>	<u>(10,034,341)</u>
Income before income taxes	23,815,878	4,496,316

Provision for income taxes	16,192,327	2,067,049
Net income	<u>\$ 7,623,551</u>	<u>\$ 2,429,267</u>
Net income attributable to noncontrolling interests	<u>\$ 399,030</u>	<u>\$ 285,278</u>
Net income attributable to MariMed Inc.	<u>\$ 7,224,521</u>	<u>\$ 2,143,989</u>
Net income per share		
Basic	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding		
Basic	<u>326,466,794</u>	<u>266,980,197</u>
Diluted	<u>372,396,731</u>	<u>324,160,525</u>

See accompanying notes to consolidated financial statements.

MariMed Inc.  
Consolidated Statements of Stockholders' Equity

	Common Stock		Common Stock Subscribed But Not Issued		Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Par Value	Shares	Amount				
Balances at December 31, 2019	228,408,024	\$ 228,408	3,236,857	\$ 1,168,074	\$112,245,730	\$(106,760,527)	\$ (553,465)	\$ 6,328,220
Issuance of subscribed shares	3,236,857	3,237	(3,236,857)	(1,168,074)	1,164,837	-	-	-
Stock grants	97,797	98	11,413	5,365	15,996	-	-	21,459
Stock forfeitures	(1,297,447)	(1,297)	-	-	1,297	-	-	-
Exercise of stock options	550,000	550	-	-	75,450	-	-	76,000
Amortization of option grants	-	-	-	-	969,136	-	-	969,136
Issuance of stand-alone warrants	-	-	-	-	2,179	-	-	2,179
Issuance of warrants attached to debt	-	-	-	-	708,043	-	-	708,043
Discount on debentures payable	-	-	-	-	28,021	-	-	28,021
Beneficial conversion feature on debentures payable	-	-	-	-	379,183	-	-	379,183
Conversion of debentures payable	77,766,559	77,766	-	-	9,997,522	-	-	10,075,288
Conversion of common stock to preferred stock	(4,908,333)	(4,908)	-	-	(14,720,092)	-	-	(14,725,000)
Conversion of promissory notes	2,525,596	2,525	-	-	457,525	-	-	460,050
Extinguishment of promissory notes	3,639,759	3,640	-	-	910,302	-	-	913,942
Common stock issued to settle obligations	4,400,000	4,400	-	-	739,200	-	-	743,600
Distributions	-	-	-	-	-	-	(308,952)	(308,952)
Net income	-	-	-	-	-	2,143,989	285,278	2,429,267
Balances at December 31, 2020	<u>314,418,812</u>	<u>\$ 314,419</u>	<u>11,413</u>	<u>\$ 5,365</u>	<u>\$112,974,329</u>	<u>\$(104,616,538)</u>	<u>\$ (577,139)</u>	<u>\$ 8,100,436</u>
Issuance of subscribed shares	11,413	11	(11,413)	(5,365)	5,354	-	-	-
Stock grants	256,591	257	-	-	235,096	-	-	235,353
Exercise of stock options	277,373	277	-	-	38,323	-	-	38,600
Exercise of warrants	980,062	980	-	-	91,795	-	-	92,775
Amortization of option grants	-	-	-	-	12,494,209	-	-	12,494,209
Issuance of stand-alone warrants	-	-	-	-	832,105	-	-	832,105
Issuance of warrants with stock	-	-	-	-	654,681	-	-	654,681
Conversion of debentures payable	4,610,645	4,611	-	-	1,351,841	-	-	1,356,452

Conversion of promissory notes	11,399,268	11,399	-	-	3,810,046	-	-	3,821,445
Common stock issued to settle obligations	71,691	72	-	-	53,474	-	-	53,546
Purchase of property and equipment with stock	750,000	750	-	-	704,250	-	-	705,000
Fees paid with stock	1,234,308	1,234	-	-	1,106,459	-	-	1,107,693
Return of stock	(79,815)	(80)	-	-	(9,857)	-	-	(9,937)
Equity issuance costs	-	-	-	-	(386,983)	-	-	(386,983)
Acquisition of 30% interest in subsidiary	100,000	100	-	-	965,260	-	(975,360)	(10,000)
Distributions	-	-	-	-	-	-	(409,913)	(409,913)
Net income	-	-	-	-	-	7,224,521	399,030	7,623,551
Balances at December 31, 2021	<u>334,030,348</u>	<u>\$ 334,030</u>	<u>-</u>	<u>\$ -</u>	<u>\$134,920,382</u>	<u>\$ (97,392,017)</u>	<u>\$(1,563,382)</u>	<u>\$ 36,299,013</u>

*The above statement does not show columns for shares and par value of undesignated preferred stock as the balances were zero and there was no activity in the reported periods.*

*See accompanying notes to consolidated financial statements.*

MariMed Inc.  
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income attributable to MariMed Inc.	\$ 7,224,521	\$ 2,143,989
Net income attributable to noncontrolling interests	399,030	285,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,097,702	1,791,610
Asset writeoff	-	84,708
Amortization of intangibles	690,327	390,481
Amortization of stock grants	235,353	21,459
Amortization of option grants	12,494,209	969,136
Amortization of stand-alone warrant issuances	832,105	2,179
Amortization of warrants attached to debt	539,272	1,090,754
Amortization of warrants issued with stock	654,681	-
Amortization of beneficial conversion feature	176,522	3,243,446
Amortization of original issue discount	51,753	339,791
Bad debt expense	1,862,417	982,488
Fees paid with stock	1,107,693	-
Loss on obligations settled with equity	2,546	44,678
Equity in earnings of investments	-	(98,813)
Gain on investment	(309,212)	-
Change in fair value of investments	1,106,593	349,638
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(4,697,063)	(5,988,861)
Deferred rents receivable	262,466	(143,356)
Due from third parties	-	9,937
Inventory	(2,937,285)	(5,611,142)
Other current assets	(868,179)	(390,221)
Other assets	(17,458)	95,412
Accounts payable	104,615	1,071,660
Accrued expenses	(1,433,723)	472,237
Income taxes payable	15,571,539	895,725

Sales and excise taxes payable	744,062	1,051,193
Operating lease payments	(19,433)	53,706
Finance lease interest payments	1,504	4,034
Other current liabilities	(21,720)	219,157
Net cash provided by operating activities	<u>35,854,837</u>	<u>3,380,303</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,873,636)	(4,687,795)
Purchase of cannabis licenses	(692,070)	(255,000)
Return on investment	1,475,000	-
Acquisition of 30% interest in subsidiary	(10,000)	-
Proceeds from notes receivable	476,868	479,630
Net cash used in investing activities	<u>(16,623,838)</u>	<u>(4,463,165)</u>
Cash flows from financing activities:		
Issuance of preferred stock	23,000,000	-
Equity issuance costs	(386,983)	-
Issuance of promissory notes	35,096	6,549,763
Payments on promissory notes	(15,806,617)	(12,371,149)
Proceeds from issuance of debentures	-	935,000
Proceeds from mortgages	2,700,000	13,897,282
Payments on mortgages	(617,353)	(5,102,862)
Exercise of stock options	38,600	76,000
Exercise of warrants	92,775	-
Due to related parties	(1,157,815)	(296,898)
Finance lease principal payments	(34,828)	(34,957)
Distributions	(409,913)	(308,952)
Net cash provided by financing activities	<u>7,452,962</u>	<u>3,343,227</u>
Net change to cash and cash equivalents	26,683,961	2,260,365
Cash and cash equivalents at beginning of period	2,999,053	738,688
Cash and cash equivalents at end of period	<u>\$ 29,683,014</u>	<u>\$ 2,999,053</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 1,975,193</u>	<u>\$ 3,267,199</u>
Cash paid for income taxes	<u>\$ 620,788</u>	<u>\$ 1,171,324</u>
<b>Non-cash activities:</b>		
Trade receivables converted to notes receivable	<u>\$ 7,843,910</u>	<u>\$ -</u>
Conversion of promissory notes	<u>\$ 3,821,445</u>	<u>\$ 460,050</u>
Conversion of debentures payable	<u>\$ 1,356,452</u>	<u>\$ 10,075,288</u>
Acquisition of 30% interest in subsidiary	<u>\$ 975,360</u>	<u>\$ -</u>
Purchase of property with stock	<u>\$ 705,000</u>	<u>\$ -</u>
Operating lease right-of-use assets and liabilities	<u>\$ 466,105</u>	<u>\$ -</u>
Common stock issued to settle obligations	<u>\$ 51,000</u>	<u>\$ 698,922</u>
Return of stock	<u>\$ 9,937</u>	<u>\$ -</u>
Issuance of common stock associated with subscriptions	<u>\$ 5,365</u>	<u>\$ 1,168,074</u>
Cashless exercise of warrants	<u>\$ 180</u>	<u>\$ -</u>
Cashless exercise of stock options	<u>\$ 106</u>	<u>\$ -</u>
Exchange of common stock to preferred stock	<u>\$ -</u>	<u>\$ 14,725,000</u>
Conversion of accrued interest to promissory notes	<u>\$ -</u>	<u>\$ 3,908,654</u>

Common stock issued to settle debt	\$	-	\$	913,942
Discount on promissory notes	\$	-	\$	708,043
Beneficial conversion feature on debentures payable	\$	-	\$	379,183
Discount on debentures	\$	-	\$	28,021

*See accompanying notes to consolidated financial statements.*

MariMed Inc.  
Notes to Consolidated Financial Statements

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

MariMed Inc. (the “Company”) is a multi-state operator in the United States cannabis industry. The Company develops, operates, manages, and optimizes over 300,000 square feet of state-of-the-art, regulatory-compliant facilities for the cultivation, production and dispensing of medicinal and recreational cannabis. The Company also licenses its proprietary brands of cannabis and hemp-infused products, along with other top brands, in several domestic markets and overseas.

Upon its entry into the cannabis industry in 2014, the Company was an advisory firm that procured state-issued cannabis licenses on behalf of its clients, developed cannabis facilities which it leased to these newly-licensed companies, and provided industry-leading expertise and oversight in all aspects of their cannabis operations. The Company also provided its clients with ongoing regulatory, accounting, real estate, human resources, and administrative services.

Over the last few years, the Company made the strategic decision to transition from a consulting business to a direct owner and operator of cannabis licenses in high-growth states. Core to this transition is the acquisition and consolidation of the Company’s clients (the “Consolidation Plan”). Among several benefits, the Consolidation Plan would present a simpler, more transparent financial picture of the full breadth of the Company’s efforts, with a clearer representation of the revenues, earnings, and other financial metrics the Company has generated for its clients. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to funding their operations, and to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these businesses and manage the continuing growth of their operations.

To date, the acquisition and consolidation of the Company’s client businesses in Massachusetts and Illinois have been completed. The acquisition of a client business in Maryland has been contracted, and the Company is awaiting approval by the Maryland Cannabis Control Commission, which is pending. Upon approval, this entity will be consolidated. The acquisitions of the remaining businesses located in Nevada and Delaware are at various stages of completion and subject to each state’s laws governing the ownership transfer of cannabis licenses and other closing conditions. Delaware will require a modification of current cannabis ownership laws to permit for-profit ownership, which is expected to occur when the state legalizes recreational adult-use cannabis. Until the law changes and the acquisition is approved, the Company continues to generate revenue from rental income, management fees, and licensing royalties.

The transition to a fully integrated multi-state cannabis operator (“MSO”) is part of a strategic growth plan (the “Strategic Growth Plan”) the Company is implementing to drive its revenues and profitability. The Strategic Growth Plan has four components: (i) complete the Consolidation Plan, (ii) increase revenues in existing states, by spending capital to increase the Company’s cultivation and production capacity, and develop additional assets within those states, (iii) expand the Company’s footprint in additional legal cannabis states through new applications and acquisitions of existing cannabis businesses, and (iv) optimize the Company’s brand portfolio and licensing revenue by expanding into additional states with legal cannabis programs.

The Company has created its own brands of cannabis flower, concentrates, and precision-dosed products utilizing proprietary strains and formulations. These products are developed by the Company in cooperation with state-licensed operators who meet the Company's strict quality standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its brands and product formulations only to certified manufacturing professionals who follow state cannabis laws and adhere to the Company's precise scientific formulations and product recipes.

The Company markets its high-quality cannabis flowers and concentrates under the award-winning<sup>1</sup> Nature's Heritage brand; cannabis-infused chewable tables and powder drink mixes under the brand names Kalm Fusion and K Fusion; all natural fruit chews under the award-winning<sup>1</sup> Betty's Eddies brand; and brownies, cookies, and other social sweets under the Bubby's Baked brand. The Company's cannabis-infused brands have been top-selling products in Maryland and Massachusetts.<sup>2</sup> The Company intends to introduce additional product lines under these brands in the foreseeable future.

The Company also has strategic alliances with prominent brands. The Company has partnered with renowned ice cream maker Emack & Bolio's® to create a line-up of cannabis-infused vegan and dairy ice cream. Additionally, the Company has secured distribution rights for the Binske® line of cannabis products crafted from premium artisan ingredients, the Healer line of medical full-spectrum cannabis tinctures, and the clinically-tested medicinal cannabis strains developed in Israel by global medical cannabis research pioneer Tikun Olam.

The Company's stock is quoted on the OTCQX market under the ticker symbol MRMD.

The Company was incorporated in Delaware in January 2011 under the name Worlds Online Inc. Initially, the Company developed and managed online virtual worlds. By early 2014, this line of business effectively ceased operating, and the Company pivoted into the legal cannabis industry.

<sup>1</sup> Awards won by the Company's Betty's Eddies brand include LeafLink 2021 Best Selling Medical Product, Reddit Sparkie 2021 Best Edible, Respect My Region 2021 Hottest Edible, LeafLink 2020 Industry Innovator, and Explore Maryland Cannabis 2020 Edible of the Year. Awards won by the Company's Nature's Heritage brand include the Cultivators Cup 2021 Silver Medal and the High Times Cannabis Cup 2021 Bronze Medal.

<sup>2</sup> Source: LeafLink Insights 2020.

## NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Certain reclassifications have been made to prior periods' data to conform to the current period presentation. These reclassifications had no effect on reported income (losses) or cash flows.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MariMed Inc. and the following majority-owned subsidiaries at December 31, 2021:

Subsidiary:	Percentage Owned
MariMed Advisors Inc.	100.0%
Mia Development LLC	89.5%
Mari Holdings IL LLC	100.0%
Mari Holdings MD LLC	97.4%



Mari Holdings NJ LLC	100.0%
Mari Holdings NV LLC	100.0%
Mari Holdings Metropolis LLC	70.0%
Mari Holdings Mt. Vernon LLC	100.0%
Mari Mfg LLC	100.0%
Hartwell Realty Holdings LLC	100.0%
iRollie LLC	100.0%
ARL Healthcare Inc.	100.0%
KPG of Anna LLC	100.0%
KPG of Harrisburg LLC	100.0%
MariMed OH LLC	100.0%
MariMed Hemp Inc.	100.0%
MediTaurus LLC	100.0%

Intercompany accounts and transactions have been eliminated.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts within the financial statements and disclosures thereof. Actual results could differ from these estimates or assumptions.

#### Cash Equivalents

The Company considers all highly liquid investments with a maturity date of three months or less to be cash equivalents. The fair values of these investments approximate their carrying values.

At December 31, 2021 and 2020, cash of approximately \$5,101,000 and \$101,000, respectively, was held in escrow. The 2021 balance was primarily comprised of a \$5,000,000 escrow deposit in connection with the acquisition of Kind Therapeutics USA Inc. as further discussed in Note 3 – *Acquisitions*.

The Company's cash and cash equivalents are maintained with recognized financial institutions located in the United States. In the normal course of business, the Company may carry balances with certain financial institutions that exceed federally insured limits. The Company has not experienced losses on balances in excess of such limits and management believes the Company is not exposed to significant risks in that regard.

#### Accounts Receivable

Accounts receivable consist of trade receivables and are carried at their estimated collectible amounts.

The Company provides credit to its clients in the form of payment terms. The Company limits its credit risk by performing credit evaluations of its clients and maintaining a reserve, if deemed necessary, for potential credit losses. Such evaluations include the review of a client's outstanding balances with consideration towards such client's historical collection experience, as well as prevailing economic and market conditions and other factors. Based on such evaluations, the Company maintained a reserve of approximately \$41.4 million and \$40.0 million at December 31, 2021 and 2020, respectively. For further discussion on receivable reserves, please refer to Note 18 – *Bad Debts* and the *Bankruptcy Claim* section of Note 21 – *Commitments and Contingencies*.

#### Inventory

Inventory is carried at the lower of cost or net realizable value, with the cost being determined on a first-in, first-out (FIFO) basis. The Company allocates a certain percentage of overhead cost to its manufactured inventory; such allocation is based on square footage and other industry-standard criteria. The Company reviews physical inventory for obsolescence and/or excess and will record a reserve if necessary. As of the date of this report, no reserve was deemed necessary.

### Investments

Investments are comprised of equity holding of public and private companies. These investments are recorded at fair value on the Company's consolidated balance sheet, with changes to fair value included in income. Investments are evaluated for permanent impairment and are written down if such impairments are deemed to have occurred.

### Revenue Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 606, *Revenue from Contract with Customers*, as amended by subsequently issued Accounting Standards Updates. This revenue standard requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The recognition of revenue is determined by performing the following consecutive steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognize revenue as the performance obligation is satisfied.

Additionally, when another party is involved in providing goods or services to the Company's clients, a determination is made as to who—the Company or the other party—is acting in the capacity as the principal in the sale transaction, and who is merely the agent arranging for goods or services to be provided by the other party.

The Company is typically considered the principal if it controls the specified good or service before such good or service is transferred to its client. The Company may also be deemed to be the principal even if it engages another party (an agent) to satisfy some of the performance obligations on its behalf, provided the Company (i) takes on certain responsibilities, obligations, and risks, (ii) possesses certain abilities and discretion, or (iii) other relevant indicators of the sale. If deemed an agent, the Company would not recognize revenue for the performance obligations it does not satisfy.

The Company's main sources of revenue are comprised of the following:

- Product Sales – direct sales of cannabis and cannabis-infused products by the Company's retail dispensaries and wholesale operations in Massachusetts and Illinois, and sales of hemp and hemp-infused products. This revenue is recognized when products are delivered or at retail points-of-sale.
- Real Estate – rental income and additional rental fees generated from leasing of the Company's state-of-the-art, regulatory-compliant cannabis facilities to its cannabis-licensed clients. Rental income is generally a fixed amount per month that escalates over the respective lease terms, while additional rental fees are based on a percentage of tenant revenues that exceed specified amounts.
- Management – fees for providing the Company's cannabis clients with comprehensive oversight of their cannabis cultivation, production, and dispensary operations. These fees are based on a percentage of such clients' revenue and are recognized after services have been performed.
- Supply Procurement – the Company maintains volume discounts with top national vendors of cultivation and production resources, supplies, and equipment, which the Company acquires and resells to its clients or third parties within the cannabis industry. The Company recognizes this revenue after the delivery and acceptance of goods by the purchaser.
- Licensing – royalties from the licensed distribution of the Company's branded products including Kalm Fusion and Betty's Eddies, and from sublicensing of contracted brands including Healer and Tikun Olam, to regulated dispensaries throughout the United States and Puerto Rico. The recognition of this revenue occurs when the products are delivered.

### Research and Development Costs

Research and development costs are charged to operations as incurred.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, with depreciation recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term, if applicable. When assets are retired or disposed, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income. Repairs and maintenance are charged to expense in the period incurred.

The estimated useful lives of property and equipment are generally as follows: buildings and building improvements, forty years; tenant improvements, the remaining duration of the related lease; furniture and fixtures, seven to ten years; machinery and equipment, ten years. Land is not depreciated.

The Company's property and equipment are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the undiscounted future cash flows of such asset over the anticipated holding period. An impairment loss is measured by the excess of the asset's carrying amount over its estimated fair value.

Impairment analyses are based on management's current plans, asset holding periods, and currently available market information. If these criteria change, the Company's evaluation of impairment losses may be different and could have a material impact to the consolidated financial statements.

For the years ended December 31, 2021 and 2020, based on the results of management's impairment analyses, there were no impairment losses.

### Leases

The consolidated financial statements reflect the Company's adoption of ASC 842, *Leases*, as amended by subsequent accounting standards updates. Under ASC 842, arrangements that are determined to be leases with a term greater than one year are accounted for by the recognition of right-of-use assets, that represent the Company's right to use an underlying asset for the lease term, and lease liabilities, that represent the Company's obligation to make lease payments arising from the lease. Non-lease components within lease agreements are accounted for separately.

Right-of-use assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term, utilizing the Company's incremental borrowing rate. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

### Impairment of Long-Lived Assets

The Company evaluates the recoverability of its fixed assets and other assets in accordance with ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*. Impairment of long-lived assets is recognized when the net book value of such assets exceeds their expected cash flows, in which case the assets are written down to fair value, which is determined based on discounted future cash flows or appraised values.

### Fair Value of Financial Instruments

The Company follows the provisions of ASC 820, *Fair Value Measurement*, to measure the fair value of its financial instruments, and ASC 825, *Financial Instruments*, for disclosures on the fair value of its financial instruments. To increase consistency and comparability in fair value measurements and related disclosures, ASC

820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by ASC 820 are:

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash and accounts payable approximate their fair values due to the short maturity of these instruments.

The fair value of option and warrant issuances are determined using the Black-Scholes pricing model and employing several inputs such as the expected life of instrument, the exercise price, the expected risk-free interest rate, the expected dividend yield, the value of the Company's common stock on issuance date, and the expected volatility of such common stock. The following table summarizes the range of inputs used by the Company during the prior two fiscal years:

	2021	2020
Life of instrument	1.5 to 5.0 years	0.8 to 4.3 years
Volatility factors	1.198 to 1.266	1.059 to 1.180
Risk-free interest rates	0.4% to 1.3%	0.3% to 1.3%
Dividend yield	0%	0%

The expected life of an instrument is calculated using the simplified method pursuant to Staff Accounting Bulletin Topic 14, *Share-Based Payment*, which allows for using the mid-point between the vesting date and expiration date. The volatility factors are based on the historical two-year movement of the Company's common stock prior to an instrument's issuance date. The risk-free interest rate is based on U.S. Treasury rates with maturity periods similar to the expected instruments life on the issuance date.

The Company amortizes the fair value of option and warrant issuances on a straight-line basis over the requisite service period of each instrument.

#### Extinguishment of Liabilities

The Company accounts for extinguishment of liabilities in accordance with ASC 405-20, *Extinguishments of Liabilities*. When the conditions for extinguishment are met, the liabilities are written down to zero and a gain or loss is recognized.

#### Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value method as set forth in ASC 718, *Compensation—Stock Compensation*, which requires a public entity to measure the cost of employee services received in exchange for an equity award based on the fair value of the award on the grant date, with limited exceptions. Such value will be incurred as compensation expense over the period an employee is required to provide service in exchange for the award, usually the vesting period. No compensation cost is recognized for equity awards for which employees do not render the requisite service.

#### Income Taxes

The Company uses the asset and liability method to account for income taxes in accordance with ASC 740, *Income Taxes*. Under this method, deferred income tax assets and liabilities are recorded for the future tax consequences of

differences between the tax basis and financial reporting basis of assets and liabilities, measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. The Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits for the years ended December 31, 2021 and 2020.

Certain of the Company's subsidiaries are subject to the provisions of Section 280E of the Internal Revenue Code, as amended, which prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances within the meaning of Schedule I and II of the Controlled Substances Act. Such non-deductibility of certain ordinary business expenses results in permanent differences and can cause the Company's effective tax rate to be highly variable and not necessarily correlated with pre-tax income.

#### Related Party Transactions

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions.

In accordance with ASC 850, the Company's financial statements include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business, as well as transactions that are eliminated in the preparation of financial statements.

#### Comprehensive Income

The Company reports comprehensive income and its components following guidance set forth by ASC 220, *Comprehensive Income*, which establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. There were no items of comprehensive income applicable to the Company during the period covered in the financial statements.

#### Earnings Per Share

Earnings per common share is computed pursuant to ASC 260, *Earnings Per Share*. Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the sum of the weighted average number of shares of common stock outstanding plus the weighted average number of potentially dilutive securities during the period.

At December 31, 2021 and 2020, there were potentially dilutive securities convertible into shares of common stock comprised of (i) stock options – convertible into 39,821,671 and 9,805,750 shares, respectively, (ii) warrants – convertible into 26,351,571 and 16,917,168 shares, respectively, (iii) Series B preferred stock – convertible into 4,908,333 shares in both periods, (iv) Series C preferred stock – convertible into 31,081,080 and zero shares, respectively, (v) debentures payable – convertible into zero and 4,610,645 shares, respectively, and (vi) promissory notes – convertible into 1,142,857 and 15,503,282 shares, respectively.

For the years ended December 31, 2021 and 2020, the aforementioned potentially dilutive securities increased the number of weighted average common shares outstanding on a diluted basis by approximately 45.9 million and 57.2 million net shares of common stock, respectively. Such share amounts were reflected in the calculation of diluted net income per share for the years ended December 31, 2021 and 2020.

### Commitments and Contingencies

The Company follows ASC 450, *Contingencies*, which requires the Company to assess the likelihood that a loss will be incurred from the occurrence or non-occurrence of one or more future events. Such assessment inherently involves an exercise of judgment. In assessing possible loss contingencies from legal proceedings or unasserted claims, the Company evaluates the perceived merits of such proceedings or claims, and of the relief sought or expected to be sought.

If the assessment of a contingency indicates that it is probable that a material loss will be incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

While not assured, management does not believe, based upon information available at this time, that a loss contingency will have material adverse effect on the Company's financial position, results of operations or cash flows.

### Beneficial Conversion Features on Convertible Debt

Convertible instruments that are not bifurcated as a derivative pursuant to ASC 815, *Derivatives and Hedging*, and not accounted for as a separate equity component under the cash conversion guidance are evaluated to determine whether their conversion prices create an embedded beneficial conversion feature at inception, or may become beneficial in the future due to potential adjustments.

A beneficial conversion feature is a nondetachable conversion feature that is "in-the-money" at the commitment date. The in-the-money portion, also known as the intrinsic value, is recorded in equity, with an offsetting discount to the carrying amount of convertible debt to which it is attached. The discount is amortized to interest expense over the life of the debt with adjustments to amortization upon full or partial conversions of the debt.

### Risk and Uncertainties

The Company is subject to risks common to companies operating within the legal and medical cannabis industries, including, but not limited to, federal laws, government regulations and jurisdictional laws.

### Noncontrolling Interests

Noncontrolling interests represent third-party minority ownership of the Company's consolidated subsidiaries. Net income attributable to noncontrolling interests is shown in the consolidated statements of operations; and the value of net assets owned by noncontrolling interests are presented as a component of equity within the balance sheets.

### Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

### Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements, and does not believe the future adoption of any such pronouncements will have a material impact on its financial condition or the results of its operations.

### NOTE 3 – ACQUISITIONS

#### The Harvest Foundation LLC

In 2019, the Company entered into a purchase agreement to acquire 100% of the ownership interests of The Harvest Foundation LLC (“Harvest”), the Company’s cannabis-licensed client in the state of Nevada. The acquisition is conditioned upon state regulatory approval of the transaction and other closing conditions. Upon approval, and the fulfillment of other closing conditions, the ownership of Harvest will be transferred to the Company, and the operations of Harvest will begin to be consolidated into the Company’s financial statements. There is no assurance that the closing conditions to the Company’s acquisition of Harvest, including regulatory approval, will be achieved or that the acquisition will be consummated.

The purchase price is comprised of the issuance of (i) 1,000,000 shares of the Company’s common stock, in the aggregate, to two owners of Harvest, which as a good faith deposit, were issued upon execution of the purchase agreement, (ii) \$1.2 million of the Company’s common stock at closing, based on the closing price of the common stock on the day prior to legislative approval of the transaction, and (iii) warrants to purchase 400,000 shares of the Company’s common stock at an exercise price equal to the closing price of the Company’s common stock on the day prior to legislative approval of the transaction. The issued shares were recorded at par value. Such shares are restricted and will be returned to the Company in the event the transaction does not close.

#### Kind Therapeutics USA Inc.

In 2016, the Company and the members of Kind Therapeutics USA Inc., the Company’s client in Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis (“Kind”), agreed to a partnership/joint venture whereby Kind would be owned 70.0% by the Company and 30.0% by the members of Kind, subject to approval by the Maryland Medical Cannabis Commission (“MMCC”). In reliance thereon, the Company purchased, designed, and developed a 180,000 square foot cultivation and production facility in Hagerstown, MD for occupancy and use by Kind, which became operational in late 2017, and the Company further agreed to manage and finance all aspects of Kind’s cannabis business, as Kind had no background or experience in the industry.

In 2018, prior to finalizing the documents confirming the partnership/joint venture the Company and the members of Kind negotiated and entered into a memorandum of understanding (“MOU”) for the Company to acquire 100% of the membership interests of Kind. Also at that time, the parties entered into a management services agreement for the Company to provide Kind with comprehensive management services in connection with the business and operations of Kind, and a 20-year lease agreement for Kind’s utilization of the Company’s 180,000 square foot cultivation and production facility in Hagerstown, MD. Additionally, in 2019, the Company purchased a 9,000 square foot building in Anne Arundel County, MD, which is currently under construction, for the development of a dispensary which would be leased to Kind.

In 2019, the members of Kind sought to renegotiate the terms of the MOU and subsequently sought to renege on both the original partnership/joint venture and the MOU. The Company engaged with the member of Kind in good faith in an attempt to reach updated terms acceptable to both parties, however the members of Kind failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings.

In December 2021, the Company entered into a membership interest purchase agreement with the members of Kind to acquire 100% of the equity ownership of Kind in exchange for \$13,500,000 payable in cash (subject to adjustment) and \$6,500,000 payable by the issuance of four-year 6.0% promissory notes to the members of Kind. The notes shall be secured by a first priority lien on the Company’s property in Hagerstown, MD. Upon execution of the membership interest purchase agreement, the Company deposited, in escrow, the sum of \$5,000,000 as a contract down-payment.

Simultaneously, the Company entered into a membership interest purchase agreement with one of the members of Kind to acquire such member’s entire equity ownership interest in (i) Mari Holdings MD LLC (“Mari-MD”), the Company’s majority owned subsidiary that owns production and retail cannabis facilities in Hagerstown, MD and

Annapolis, MD, and (ii) Mia Development LLC (“Mia”), the Company’s majority owned subsidiary that owns production and retail cannabis facilities in Wilmington, DE. The purchase price for the interests in Mari-MD and Mia is \$2,000,000 in the aggregate, payable in cash. Giving effect to the purchase of these interests, the Company will own approximately 99.7% and 94.3%, respectively, of Mari-MD and Mia.

The closings under the foregoing agreements are subject to the fulfilment of closing conditions including, but not limited to, approval by the MMCC, which is pending. There is no assurance that the approval of the MMCC will be obtained or that the further closing conditions will be met. Simultaneous with the closing of the transactions contemplated by the foregoing agreements, the aforementioned litigation between the parties will be dismissed. For further information, see Note 21 – *Commitment and Contingencies*.

MediTaurus LLC

In 2019, the Company acquired a 70.0% ownership interest in MediTaurus LLC (“MediTaurus”), a company formed by Jokubas Ziburkas PhD, a neuroscientist and leading authority on cannabidiol (“CBD”) and the endocannabinoid system, in exchange for \$2.8 million of cash and stock. The Company currently sells CBD products developed by MediTaurus under its Florance™ brand.

In September 2021, the Company acquired the remaining 30.0% ownership interest of MediTaurus in exchange for 100,000 shares of the Company’s common stock, valued at approximately \$94,000, and \$10,000 in cash. The carrying value of the noncontrolling interest of approximately \$975,000 was eliminated, and since there was no change in control of MediTaurus from this transaction, the resulting gain on bargain purchase was recognized in *Additional Paid-In Capital* on the September 30, 2021 balance sheet. The shares and cash were issued and paid in November 2021. As part of this transaction, the initial purchase agreement was amended whereby any and all future license fees and payments to MediTaurus were eliminated.

Beverly Asset Purchase

In November 2021, the Company entered into an asset purchase agreement to acquire the cannabis license, property lease, and other assets and rights of, and to assume the liabilities and operating obligations associated with, a cannabis dispensary that is currently operating in Beverly, MA. The purchase price is comprised of 2,000,000 shares of the Company’s common stock and \$5.1 million, with the cash amount to be paid over time on a monthly basis as a percentage of the business’ monthly gross sales.

The purchase is contingent upon the approval of the Massachusetts Cannabis Control Commission, which is expected by the summer of 2022. Concurrent with the execution of this agreement, the parties entered into a consulting agreement pursuant whereby the Company shall provide certain oversight services related to the development, staffing, and operation of the business in exchange for a monthly fee.

**NOTE 4 – INVESTMENTS**

At December 31, 2021 and 2020, the Company’s investments were comprised of the following:

	2021	2020
Current investments:		
Flowr Corp. (formerly Terrace Inc.)	\$ 250,600	\$ 1,357,193
Non-current investments:		
MembersRSVP LLC	-	1,165,788
Total investments	\$ 250,600	\$ 2,522,981



Flowr Corp. (formerly Terrace Inc.)

In December 2020, Terrace Inc., a Canadian cannabis entity in which the Company had an ownership interest of 8.95% (“Terrace”), was acquired by Flowr Corp. (TSX.V: FLWR; OTC: FLWPF), a Toronto-headquartered cannabis company with operations in Canada, Europe, and Australia (“Flowr”). Under the terms of the transaction, each shareholder of Terrace received 0.4973 of a share in Flowr for each Terrace share held.

This investment is carried at fair value. The decrease in fair value of this investment during the years ended December 31, 2021 and 2020 of approximately \$1,107,000 and \$92,000, respectively, was reflected in the *Change In Fair Value Of Investments* on the statement of operations.

MembersRSVP LLC

During 2020, the Company owned a 23.0% member interest in MembersRSVP LLC (“MRSVP”), an entity that developed cannabis-specific customer relationship management software, which was accounted for under the equity method. Based on the Company’s equity in MRSVP’s net income during this period, the Company recorded earnings in 2020 of approximately \$99,000, which comprised the balance of *Equity in Earnings of Investments* on the statement of operations.

In January 2021, the Company and MRSVP entered into an agreement whereby the Company assigned and transferred 11.0% of its member interests to MRSVP in exchange for a release from all further obligation by the Company to make future investments or payments and certain other non-monetary consideration. In addition to the reduction of the Company’s ownership interest to 12.0%, the Company relinquished its right to appoint a member to the board of MRSVP. In light of the Company no longer having the ability to exercise significant influence over MRSVP, the Company discontinued accounting for this investment under the equity method as of January 1, 2021.

In September 2021, MRSVP sold substantially all of its assets pursuant to an asset purchase agreement. In furtherance of the transaction, the Company received cash proceeds of \$1,475,000, representing the Company’s pro rata share of the cash consideration received by MRSVP upon the closing of the transaction. As an ongoing member of MRSVP, the Company will receive its pro rata share of any additional consideration received by MRSVP pursuant to the asset purchase agreement, which may include securities or other forms of non-cash or in-kind consideration and holdback amounts, if and when it is received and distributed by MRSVP.

Upon receipt of the cash consideration, the Company reduced the investment balance to zero and recorded a gain of approximately \$309,000 which comprised *Other* non-operating expenses on the statement of operations.

In February 2022, the Company received its pro rata share of additional consideration received by MRSVP pursuant to the asset purchase agreement which is further discussed in Note 22 – *Subsequent Events*.

**NOTE 5 – DEFERRED RENTS RECEIVABLE**

The Company is the lessor under operating leases which contain rent holidays, escalating rents over time, options to renew, requirements to pay property taxes, insurance and/or maintenance costs, and contingent rental payments based on a percentage of monthly tenant revenues. The Company is not the lessor under any finance leases.

The Company recognizes fixed rental receipts from such lease agreements on a straight-line basis over the expected lease term. Differences between amounts received and amounts recognized are recorded under *Deferred Rents Receivable* on the balance sheet. Contingent rentals are recognized only after tenants’ revenues are finalized and if such revenues exceed certain minimum levels.

The Company leases the following owned properties:

- Delaware – a 45,000 square foot cannabis cultivation, processing, and dispensary facility which is leased to a cannabis-licensed client under a triple net lease that expires in 2035.
- Maryland – a 180,000 square foot cultivation and processing facility which is leased to a licensed cannabis

client under a triple net lease that expires in 2037.

- Massachusetts – a 138,000 square foot industrial property of which approximately half of the available square footage is leased to a non-cannabis manufacturing company under a lease that expires in October 2022.

The Company subleases the following properties:

- Delaware – a 4,000 square foot cannabis dispensary which is subleased to its cannabis-licensed client under a sublease expiring in April 2027.
- Delaware – a 100,000 square foot warehouse, of which the Company developed 60,000 square feet into a cultivation facility, and is developing the remaining space into processing facility, subleased to its cannabis-licensed client. The sublease expires in March 2030, with an option to extend the term for three additional five-year periods.
- Delaware – a 12,000 square foot cannabis production facility with offices which is subleased to its cannabis-licensed client. The sublease expires in January 2026 and contains an option to negotiate an extension at the end of the lease term.

As of December 31, 2021 and 2020, cumulative fixed rental receipts under such leases approximated \$18.7 million and \$13.9 million, respectively, compared to revenue recognized on a straight-line basis of approximately \$20.4 million and \$15.8 million, respectively. Accordingly, the deferred rents receivable balance approximated \$1.7 million and \$1.9 million at December 31, 2021 and 2020, respectively.

Future minimum rental receipts for non-cancellable leases and subleases as of December 31, 2021 were:

2022	\$	4,854,549
2023		4,563,372
2024		4,625,608
2025		4,695,107
2026		3,915,790
Thereafter		35,829,822
Total	\$	<u>58,484,248</u>

#### NOTE 6 – NOTES RECEIVABLE

At December 31, 2021 and 2020, notes receivable, including accrued interest, consisted of the following:

	2021	2020
First State Compassion Center (initial note)	\$ 402,992	\$ 468,985
First State Compassion Center (secondary note)	7,843,910	-
Healer LLC	866,368	899,226
High Fidelity Inc.	-	254,919
Total notes receivable	<u>9,113,270</u>	<u>1,623,130</u>
Notes receivable, current portion	126,713	658,122
Notes receivable, less current portion	<u>\$ 8,986,557</u>	<u>\$ 965,008</u>

#### First State Compassion Center

The Company's cannabis-licensed client in Delaware, First State Compassion Center ("FSCC"), issued a 10-year promissory note to the Company in May 2016 in the amount of \$700,000 bearing interest at a rate of 12.5% per annum, as amended. The monthly payments of approximately \$10,000 will continue through April 2026, at which time the note will be paid in full. At December 31, 2021 and 2020, the current portion of this note approximated

\$75,000 and \$66,000, respectively, and was included in *Notes Receivable, Current Portion* on the respective balance sheets.

In December 2021, financed trade accounts receivable balances from FSCC of approximately \$7.8 million in the aggregate were converted into notes receivable whereby FSCC issued promissory notes to the Company in the aggregate amount of approximately \$7.8 million bearing interest at a rate of 6.0% per annum. The promissory notes call for the payment of principal and interest throughout the term of the note which matures in December 2025. At December 31, 2021, the entire balance of the note was long-term.

#### Healer LLC

In 2018 and 2019, the Company loaned an aggregate of \$800,000 to Healer LLC, an entity that provides cannabis education, dosage programs, and products developed by Dr. Dustin Sulak, an integrative medicine physician and nationally renowned cannabis practitioner (“Healer”). Healer issued promissory notes to the Company for the aggregate amount loaned that bear interest at a rate of 6.0% per annum, with principal and interest payable on maturity dates three years from the respective loan dates.

In March 2021, the Company was issued a revised promissory note from Healer in the principal amount of approximately \$894,000 representing the previous loans extended to Healer by the Company plus accrued interest through the revised promissory note issuance date. The revised promissory note bears interest at a rate of 6.0% per annum and requires quarterly payments of interest through the maturity date in April 2026.

Additionally, the Company has the right to offset any licensing fees owed to Healer by the Company in the event Healer fails to make any payment when due. In March 2021, the Company offset approximately \$28,000 of licensing fees payable to Healer against the principal balance of the revised promissory note, reducing the principal amount to approximately \$866,000.

At December 31, 2021 and 2020, the total amount of principal and accrued interest due under the aforementioned promissory notes approximated \$866,000 and \$899,000, respectively, of which approximately \$52,000 and \$337,000, respectively, was current.

#### High Fidelity

In August 2021, the Company was fully repaid on a loan to High Fidelity Inc., an entity with cannabis operations in the state of Vermont. The loan had a principal balance of \$250,000 and bore interest at a rate of 10.0% per annum,

### **NOTE 7 – INVENTORY**

At December 31, 2021 and 2020, inventory was comprised of the following:

	2021	2020
Plants	\$ 1,014,576	\$ 3,352,425
Ingredients and other raw materials	261,609	176,338
Work-in-process	4,661,542	468,377
Finished goods	3,830,129	2,833,431
Total inventory	<u>\$ 9,767,856</u>	<u>\$ 6,830,571</u>

### **NOTE 8 – PROPERTY AND EQUIPMENT**

At and December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	\$ 4,449,810	\$ 3,988,810
Buildings and building improvements	35,231,277	29,309,856
Tenant improvements	9,744,860	8,844,974

Furniture and fixtures	1,887,796	619,880
Machinery and equipment	7,220,962	4,620,924
Construction in progress	10,569,182	3,140,807
	<u>69,103,887</u>	<u>50,525,251</u>
Less: accumulated depreciation	(6,953,741)	(4,888,722)
Property and equipment, net	<u>\$ 62,150,146</u>	<u>\$ 45,636,529</u>

During the year ended December 31, 2021 and 2020, additions to property and equipment approximated \$18,579,000 and \$4,688,000, respectively.

The 2021 additions were primarily comprised of (i) the development of facilities in Metropolis, IL and Milford, DE, and (ii) purchases of building improvements, machinery, and equipment at the facilities in Hagerstown, MD and New Bedford, MA. The 2020 additions consisted primarily of (i) the commencement of construction in Mt. Vernon, IL, and (ii) machinery and equipment purchases for facilities in Massachusetts, Maryland, Illinois, and Delaware.

The construction in progress balances of approximately \$10,569,000 million and \$3,141,000 at December 31, 2021 and 2020, respectively, consisted of the commencement of construction of properties in Milford, DE and Annapolis, MD.

Depreciation expense for the year ended December 31, 2021 and 2020 approximated \$2,098,000 and \$1,792,000, respectively.

#### NOTE 9 – INTANGIBLES

At December 31, 2021 and 2020, intangible assets were comprised of (i) the carrying value of cannabis license fees, and (ii) goodwill arising from the Company's acquisitions.

The Company's cannabis licenses are issued from the states of Illinois and Massachusetts and require the payment of annual fees. These fees, comprised of a fixed component and a variable component based on the level of operations, are capitalized and amortized over the respective twelve-month periods. At December 31, 2021 and 2020, the carrying value of these cannabis licenses approximated \$163,000 and \$161,000, respectively.

The goodwill associated with acquisitions is reviewed on a quarterly basis for impairment. Based on this review and other factors, the goodwill of approximately \$2,068,000 December 31, 2021 and 2020 was deemed to be unimpaired.

#### NOTE 10 – MORTGAGES

At December 31, 2021 and 2020, mortgage balances, including accrued interest, were comprised of the following:

	2021	2020
Bank of New England		
– New Bedford, MA and Middleboro, MA properties	\$ 12,498,900	\$ 12,834,090
Bank of New England		
– Wilmington, DE property	1,462,949	1,575,658
DuQuoin State Bank		
– Anna, IL and Harrisburg, IL properties	778,084	814,749
DuQuoin State Bank		
– Metropolis, IL property	2,657,600	-
South Porte Bank		
– Mt. Vernon, IL property	816,264	906,653
Total mortgages payable	<u>18,213,797</u>	<u>16,131,150</u>
Mortgages payable, current portion	<u>(1,400,331)</u>	<u>(1,387,014)</u>
Mortgages payable, less current portion	<u>\$ 16,813,466</u>	<u>\$ 14,744,136</u>

In November 2017, the Company entered into a 10-year mortgage agreement with Bank of New England in the amount of \$4,895,000 (the “Initial Mortgage”) for the purchase of a 138,000 square foot industrial property in New Bedford, MA, within which the Company has built a 70,000 square foot cannabis cultivation and processing facility. Pursuant to the Initial Mortgage, the Company made monthly payments of (i) interest-only from the mortgage date through May 2019 at a rate equal to the prime rate plus 2.0%, with a floor of 6.25% per annum, and (ii) principal and interest payments from May 2019 to July 2020 at a rate equal to the prime rate on May 2, 2019 plus 2.0%, with a floor of 6.25% per annum.

In July 2020, at which time the Initial Mortgage had a remaining principal balance of approximately \$4.8 million, the parties consummated an amended and restated mortgage agreement, secured by the Company’s properties in New Bedford and Middleboro in the amount of \$13.0 million bearing interest at a rate of 6.5% per annum that matures in August 2025 (the “Refinanced Mortgage”). Proceeds from the Refinanced Mortgage were used to pay down the Initial Mortgage and approximately \$7.2 million of promissory notes as further in Note 11 – *Promissory Notes*. At December 31, 2021 and 2020, the outstanding principal balance of the Refinanced Mortgage approximated \$12,499,000 and \$12,834,000, respectively, of which approximately \$358,000 and \$335,000, respectively, was current.

The Company maintains another mortgage with Bank of New England from the 2016 purchase of a 45,070 square foot building in Wilmington, DE which was developed into a cannabis seed-to-sale facility and is currently leased to the Company’s cannabis-licensed client in that state. The mortgage matures in 2031 with monthly principal and interest payments at a rate of 5.25% per annum through September 2021, and thereafter the rate adjusting every five years to the then prime rate plus 1.5% with a floor of 5.25% per annum. For the remainder of 2021, the interest rate on this mortgage remained at 5.25%. At December 31, 2021 and 2020, the outstanding principal balance on this mortgage approximated \$1,463,000 and \$1,576,000, respectively, of which approximately \$130,000 and \$114,000, respectively, was current.

In May 2016, the Company entered into a mortgage agreement with DuQuoin State Bank (“DSB”) for the purchase of properties in Anna, IL and Harrisburg, IL which the Company developed into two 3,400 square foot free-standing retail dispensaries. On May 5<sup>th</sup> of each year, this mortgage is due to be repaid unless it is renewed for another year at a rate determined by DSB’s executive committee. The mortgage was renewed in May 2021 at a rate of 6.75% per annum. At December 31, 2021 and 2020, the outstanding principal balance on this mortgage approximated \$778,000 and \$815,000 respectively, of which approximately \$33,000 and \$31,000, respectively, was current.

In July 2021, the Company purchased the land and building in which it operates its cannabis dispensary in Metropolis, IL. The purchase price consisted of 750,000 shares of the Company’s common stock, which were valued at \$705,000 on the date of the transaction, and payoff of the seller’s remaining mortgage of approximately \$1.6 million. In connection with this purchase, the Company entered into another mortgage agreement with DSB in the amount of \$2.7 million that matures in July 2041 and initially bears interest at a rate of 6.25% per annum which is adjusted each year based on a certain interest rate index plus a margin. As part of this transaction, the seller was provided with a 30.0% ownership interest in Mari Holdings Metropolis LLC (“Metro”), the Company’s subsidiary that owns the property and related mortgage obligation, reducing the Company’s ownership interest in Metro to 70.0%. At December 31, 2021, the outstanding principal balance on this mortgage approximated \$2,658,000, of which approximately \$73,000 was current.

In February 2020, the Company entered into a mortgage agreement with South Porte Bank for the purchase and development of a property in Mt. Vernon, IL. Pursuant to the amended mortgage agreement, the mortgage shall be repaid in monthly installments of principal and interest of approximately \$6,000 which began in August 2021 and continues through its maturity in June 2022, at which time all remaining principal, interest and fees shall be due.

## **NOTE 11 – PROMISSORY NOTES**

### *Promissory Notes Issued by the Company and its MariMed Hemp Inc. Subsidiary*

In February 2020, the Company and MariMed Hemp Inc., its wholly-owned subsidiary (“MMH”), amended a secured \$10.0 million promissory note (the “\$10.0M Note”) issued to an unaffiliated party (the “Noteholder”) in 2019. The \$10.0M Note, which provided for the repayment of principal plus a payment of \$1.5 million (the “\$1.5M

Payment”), was amended whereby the Company and MMH issued a restated promissory note maturing in June 2020 in the principal amount of \$11.5 million (the “\$11.5M Note”), comprised of the principal amount of the \$10.0M Note and the \$1.5M Payment. The \$11.5M Note bore interest at a rate of 15.0% per annum, requiring periodic interest payments and minimum amortization payments of \$3,000,000 in the aggregate, which the Company made in the first half of 2020.

The Company entered into a second amendment agreement with the Noteholder in June 2020, whereby (i) \$352,000 of outstanding principal of the \$11.5M Note was converted into 1,900,000 shares of the Company’s common stock (which did not result in a material extinguishment gain or loss as the conversion price approximated the price of the Company’s common stock on the agreement date), and (ii) the Company and MMH issued a second amended and restated promissory note in the principal amount of approximately \$8.8 million, comprised of the outstanding principal and unpaid interest balances of the \$11.5M Note, plus an extension fee of approximately \$330,000, bearing interest at a rate of 15.0% per annum and maturing in June 2022 (the “\$8.8M Note”). In addition, the Company issued three-year warrants to the Noteholder to purchase up to 750,000 shares of common stock at an exercise price of \$0.50 per share. The fair value of these warrants on the issuance date of approximately \$66,000 was recorded as a discount to the \$8.8M Note, and amortized to interest expense over the life of the \$8.8M Note.

The Company made a required principal payment of \$4,000,000 in July 2020 with a portion of proceeds of the Refinanced Mortgage previously discussed in Note 10 – *Mortgages*, and additional principal payments of \$600,000 in the aggregate in calendar 2020. Accordingly, the carrying value of the \$8.8M Note was approximately \$4.2 million at December 31, 2020.

The Noteholder had the option to convert the \$8.8M Note, in whole or in part, into shares of the Company’s common stock at a conversion price of \$0.30 per share, subject to certain conversion limitations. This non-detachable conversion feature of the \$8.8M Note had no intrinsic value on the agreement date, and therefore no beneficial conversion feature arose. In March 2021, the Noteholder converted \$1,000,000 of principal and approximately \$10,000 of accrued interest into 3,365,972 shares of the Company’s common stock, reducing the carrying value of the \$8.8M Note to approximately \$3.2 million.

The Company entered into a third amendment agreement with the Noteholder in April 2021 whereby the Company and MMH issued a third amended and restated promissory note in the principal amount of approximately \$3.2 million (the “\$3.2M Note”) which bears interest at a rate of 0.12% per annum and matures in April 2023. The Noteholder has the option to convert, subject to certain conversion limitations, all or a portion of the \$3.2M Note into shares of the Company’s common stock at a conversion price of \$0.35 per share, such conversion price subject to adjustment in the event of certain transactions by the Company. The third amended agreement resulted in a decrease in the fair value of the embedded conversion feature of the \$3.2M Note and therefore no accounting was required for such conversion feature.

On or after the one-year anniversary of the \$3.2M Note, upon twenty days prior written notice to the Noteholder, the Company can prepay all of the outstanding principal and unpaid interest of the \$3.2M Note, along with a prepayment premium equal to 10.0% of the principal amount being prepaid. The Noteholder shall remain entitled to convert the \$3.2M Note during such notice period. On or after the one-year anniversary of the \$3.2M Note, the Noteholder has the right to require the redemption in cash of up to \$125,000 of principal and unpaid interest thereon per calendar month.

In 2021, the Noteholder converted approximately \$2.8 million of principal on the \$3.2M Note into 8,033,296 shares of the Company’s common stock, reducing the carrying value of the \$3.2M Note to approximately \$400,000 at December 31, 2021. All note conversions were effected in accordance with the terms of their respective note agreements, and therefore the Company was not required to record a gain or loss on such conversions.

#### *Promissory Notes Issued Pursuant to an Exchange Agreement*

In February 2020, pursuant to an exchange agreement as further described in Note 13 – *Mezzanine Equity*, the Company issued two promissory notes in the aggregate principal amount of approximately \$4.4 million, bearing interest at 16.5% per annum and maturing in August 2021 (the “\$4.4M Notes”), in exchange for a loan in the same amount. At December 31, 2020, the principal and accrued interest balance of the \$4.4M Notes approximated \$4.6

million. In March 2021, utilizing a portion of the proceeds from the Hadron transaction discussed in Note 13 – *Mezzanine Equity*, the \$4.4M Notes were fully paid down, along with accrued interest through the repayment date.

#### *Promissory Notes Issued for Operating Liquidity*

In April 2020, the Company entered into a note extension agreement (the “Initial Extension Agreement”) with the unaffiliated holder (the “Holding Party”) of a secured \$6.0 million promissory note (the “\$6.0M Note”) issued by the Company in 2019. The \$6.0M Note bore interest at a rate of 13.0% per annum and required the payment of a service fee of \$900,000 (the “Service Fee”).

Pursuant to the Initial Extension Agreement, (i) the \$6.0M Note’s due date was extended to September 2020, and the \$6.0M Note was modified to include unpaid accrued interest of \$845,000 through the modification date and interest at a rate of 10.0% per annum (the “\$6.8M Note”), and (iii) a new convertible note in the amount of \$900,000 (the “\$900k Note”) was issued evidencing the Service Fee, bearing interest at a rate of 12.0% per annum. The Company satisfied the \$900k Note and accrued interest of \$20,100 in full as of the June 2020 maturity date by the payment in July 2020 of \$460,050 in cash, representing one-half of the principal and accrued interest, and the issuance in June 2020 of 2,525,596 shares of the Company’s common stock, in payment of the other half of the principal and accrued interest.

Prior to the issuance of the \$6.0M Note, the Company raised \$3.0 million from the issuance of a secured promissory note to the Holding Party in 2018, bearing interest at a rate of 10.0% per annum (the “\$3.0M Note”). The maturity date of the \$3.0M Note, initially in March 2020, was extended for an additional six months in accordance with its terms, with the interest rate increasing to 12.0% per annum during the extension period. Pursuant to the Initial Extension Agreement, the maturity date of the \$3.0M Note was extended to December 2020.

The Company and the Holding Party entered into a second note extension agreement in October 2020 (the “Second Extension Agreement”) whereby the Company (i) paid \$1 million of principal and all outstanding accrued interest of approximately \$333,000 on the \$6.8M Note; (ii) issued an amended and restated senior secured promissory note in the principal amount of \$5,845,000 (the “\$5.8M Note”) to replace the \$6.8M Note; and (iii) amended and restated the \$3M Note (the “New \$3.0M Note”, and together with the \$5.8M Note, the “Amended Notes”). The Amended Notes bore interest at a rate of 12.0% per annum with initial maturity dates in September 2022.

In consideration of the Second Extension Agreement, the Company (i) issued four-year warrants to the Holding Party’s designees to purchase up to 5,000,000 shares of the Company’s common stock at an exercise price of \$0.25 per share; (ii) paid the Holding Party a fee of \$100,000; and (iii) extended the security interest in certain Company properties and the pledge of certain equity interests to secure the Amended Notes. The Company recorded a discount on the Amended Notes of approximately \$573,000 based on the fair value of such warrants on the issuance date, of which approximately \$75,000 was amortized as of the end of 2020, and the remainder to be amortized over the life of the Amended Notes. Accordingly, the carrying value of the Amended Notes approximated \$8.3 million at December 31, 2020, of which \$1.9 million was current.

The Company made a required principal payment of \$400,000 on the \$5.8M Note in February 2021. In March 2021, utilizing a portion of the proceeds from the Hadron transaction discussed in Note 13 – *Mezzanine Equity*, the Amended Notes were fully paid down, along with accrued interest through the repayment date. In addition, the remaining discount of approximately \$450,000 on this note was fully amortized on the payment date.

#### *Promissory Notes Issued to Purchase Commercial Vehicles*

In August 2020, the Company entered into a note agreement with First Citizens’ Federal Credit Union for the purchase of a commercial vehicle. The note bears interest at a rate of 5.74% per annum and matures in July 2026. At December 31, 2021 and 2020, the balance of this note approximated \$26,000 and \$30,000, respectively, of which approximately \$5,000 was current in both periods.

In June 2021, the Company entered into a note agreement with Ally Financial for the purchase of a second commercial vehicle. The note bears interest at the rate of 10.0% per annum and matures in May 2027. At December 31, 2021, the balance of this note approximated \$33,000, of which approximately \$5,000 was current.

Promissory Note Issued by MMH

In September 2020, the Company paid down \$500,000 of principal on a \$1,000,000 promissory note (the “\$1.0M Note”) issued by MMH in 2019 to an unaffiliated party. At December 31, 2020, \$500,000 of principal on the \$1.0M Note remained outstanding.

In March 2021, the Company paid interest on the \$1.0M Note of \$200,000, and utilizing a portion of the proceeds from the Hadron transaction discussed in Note 12 – *Mezzanine Equity*, paid off remaining principal of \$500,000.

At December 31, 2021, the Company was carrying an accrued interest balance of approximately \$125,000 to cover interest due on the \$1.0M Note as of such date.

Other Promissory Note Issuances

In addition to the above transactions, at the start of 2020, the Company was carrying \$3,190,000 of principal on promissory notes bearing interest at rates ranging from 6.5% to 18.0% per annum (the “Existing Notes”). During 2020, the Company (i) raised approximately \$2,147,000 from the issuance of new promissory notes bearing interest at interest rates of 12.0% and 15.0% per annum (the “New 2020 Notes”), (ii) repaid \$2,100,000 of the Existing Notes, (iii) retired \$500,000 of the Existing Notes through the issuance of common stock at a conversion price equal to the market price of the Company’s common stock on the conversion date of \$0.32 per share, and (iv) repaid \$700,000 of the New 2020 Notes. Accordingly, the remaining balance on the Existing Notes and New 2020 Notes approximated \$2,037,000 in the aggregate at December 31, 2020. This balance along with accrued interest through the repayment date of approximately \$200,000 were fully paid down in March 2021 utilizing a portion of the proceeds from the Hadron transaction discussed in Note 13 – *Mezzanine Equity*.

Debt Maturities

As of December 31, 2021, the aggregate scheduled maturities of the Company’s total debt outstanding were:

2022	\$ 1,410,222
2023	1,032,523
2024	670,613
2025	717,209
2026	760,988
Thereafter	14,080,474
Total	<u>\$ 18,672,029</u>

**NOTE 12 – DEBENTURES PAYABLE**

In a series of transactions from the period October 2018 through February 2020, the Company sold an aggregate of \$21.0 million of convertible debentures (the “\$21M Debentures”) to an unaffiliated investor pursuant to an amended securities purchase agreement. The following table as of December 31, 2021 summarizes the purchase dates and selected terms of each debenture agreement that comprised the \$21M Debentures:

Issue Date	Maturity Date	Initial Principal	Interest Rate	Issue Discount	Warrant Discount	Beneficial Conversion Feature
10/17/18	10/16/20	\$ 5,000,000	6.0%	1.0%	\$ 457,966	\$ 1,554,389
11/07/18	11/06/20	5,000,000	6.0%	1.0%	599,867	4,015,515
05/08/19	05/07/21	5,000,000	6.0%	1.0%	783,701	2,537,235
06/28/19	06/27/21	2,500,000	0.0%	7.0%	145,022	847,745
08/20/19	08/19/21	2,500,000	0.0%	7.0%	219,333	850,489
02/21/20	02/20/21	1,000,000	6.5%	6.5%	28,021	379,183



As of December 31, 2021, the holder of the \$21M Debentures (the “Holder”) had converted all of the \$21M Debentures into the Company’s common stock at conversion prices equal to 80.0% of a calculated average of the daily volume-weighted price preceding the date of conversion. Specifically, over the life of the \$21M Debentures, the Holder converted, in several transactions, an aggregate of \$21.0 million of principal and approximately \$836,000 of accrued interest into 92,704,035 shares of common stock at conversion prices ranging from \$0.11 to \$3.06 per share. Of these conversions, (i) during 2020, an aggregate of \$9.7 million of principal and approximately \$365,000 of accrued interest was converted into 77,766,559 shares of common stock at conversion prices ranging from \$0.11 and \$0.34 per share, and (ii) during 2021, an aggregate of \$1.3 million of principal and approximately \$56,000 of accrued interest was converted into 4,610,645 shares of common stock at a conversion price of \$0.29 per share.

All of the aforementioned conversions were effected in accordance with the terms of the debenture agreements, and therefore the Company was not required to record a gain or loss on such conversions. The conversions were limited in any given month to certain agreed-upon amounts based on the conversion price, and the Holder was also limited from beneficially owning more than 4.99% of the Company’s outstanding common stock.

In conjunction with the issuance of the \$21M Debentures, the Company issued the Holder three-year warrants to purchase an aggregate of 1,354,675 shares of the Company’s common stock at exercise prices ranging from \$0.75 to \$5.50 per share, of which warrants to purchase 180,000 shares of common stock at an exercise price of \$0.75 were issued in 2020. The fair value of the warrants of approximately \$2.2 million was recorded as a discount to the carrying amount of the \$21M Debentures and are amortized to interest expense over the respective term of the individual debentures comprising the \$21M Debentures.

Based on the conversion prices of the \$21M Debentures in relation to the market value of the Company’s common stock, the \$21M Debentures provided the Holder with a beneficial conversion feature, as the embedded conversion option was in-the-money on the commitment date. The aggregate intrinsic value of the beneficial conversion feature of approximately \$10.2 million was recorded as a discount to the carrying amount of the \$21M Debentures, and amortized to interest expense over the respective term of the individual debentures comprising the \$21M Debentures.

During 2020, amortization of the beneficial conversion features, after adjustment for the aforementioned conversions, approximated \$3.2 million; amortization of the warrant discounts approximated \$805,000; amortization of original issue discounts approximated \$321,000; and interest expense approximated \$224,000. At December 31, 2020, the aggregate outstanding principal balance of the \$21M Debentures was \$1.3 million. Also on such date, the unamortized balances of the beneficial conversion features, the warrant discounts, and original issue discounts were approximately \$177,000, \$39,000, and \$52,000, respectively. Accordingly, at December 31, 2020, the carrying value of the \$21M Debentures approximated \$1,032,000, all of which was current.

During 2021, amortization of the beneficial conversion features, after adjustment for the aforementioned conversions, approximated \$177,000; amortization of the warrant discounts approximated \$39,000; amortization of original issue discounts approximated \$52,000; and interest expense approximated \$1,000.

## **NOTE 13 – MEZZANINE EQUITY**

### *Series B Convertible Preferred Stock*

In February 2020, the Company entered into an exchange agreement with two institutional shareholders (the “TIS Exchange Agreement”) whereby the Company (i) exchanged 4,908,333 shares of the Company’s common stock previously acquired by the two institutional shareholders for an equal number of shares of newly designated Series B convertible preferred stock, and (ii) issued the \$4.4M Notes previously discussed in Note 11 – *Promissory Notes*.

In connection with the TIS Exchange Agreement, the Company filed (i) a certificate of designation with respect to the rights and preferences of the Series B convertible preferred stock, and (ii) a certificate of elimination to return all shares of the Series A convertible preferred stock, of which no shares were issued or outstanding at the time of filing, to the status of authorized and unissued shares of undesignated preferred stock.

The holders of Series B convertible preferred stock (the “Series B Holders”) are entitled to cast the number of votes equal to the number of shares of common stock into which the shares of Series B convertible preferred stock are convertible, together with the holders of common stock as a single class, on most matters. However, the affirmative vote or consent of the Series B Holders voting separately as a class is required for certain acts taken by the Company, including the amendment or repeal of certain charter provisions, liquidation or winding up of the Company, creation of stock senior to the Series B convertible preferred stock, and/or other acts defined in the certificate of designation.

The Series B convertible preferred stock shall, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank senior to the Company’s common stock. The Company shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock of the Company unless the Series B Holders then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B convertible preferred stock in an amount calculated pursuant to the certificate of designation.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the Series B Holders then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of common stock by reason of their ownership thereof, an amount per share equal to \$3.00, plus any dividends declared but unpaid thereon, with any remaining assets distributed pro-rata among the holders of the shares of Series B convertible preferred stock and common stock, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to common stock.

At any time on or prior to the six-year anniversary of the issuance date of the Series B convertible preferred stock, (i) the Series B Holders have the option to convert their shares of Series B convertible preferred stock into common stock at a conversion price of \$3.00 per share, without the payment of additional consideration, and (ii) the Company has the option to convert all, but not less than all, shares of Series B convertible preferred stock into common stock at a conversion price of \$3.00 if the daily volume weighted average price of common stock (the “VWAP”) exceeds \$4.00 per share for at least twenty consecutive trading days prior to the date on which the Company gives notice of such conversion to the Series B Holders.

On the day following the six-year anniversary of the issuance of the Series B convertible preferred stock, all outstanding shares of Series B convertible preferred stock shall automatically convert into common stock as follows:

If the sixty-day VWAP is less than or equal to \$0.50 per share, the Company shall have the option to (i) convert all shares of Series B convertible preferred stock into common stock at a conversion price of \$1.00 per share, and pay cash to the Series B Holders equal to the difference between the 60-day VWAP and \$3.00 per share, or (ii) pay cash to the Series B Holders equal to \$3.00 per share.

If the sixty-day VWAP is greater than \$0.50 per share, the Company shall have the option to (i) convert all shares of Series B convertible preferred stock into common stock at a conversion price per share equal to the quotient of \$3.00 per share divided by the sixty-day VWAP, or (ii) pay cash to the Series B Holders equal to \$3.00 per share, or (iii) convert all shares of Series B convertible preferred stock into common stock at a conversion price per share equal to the sixty-day VWAP per share and pay cash to the Series B Holders at the difference between \$3.00 per share and the sixty-day VWAP per share.

The Company shall at all times when the Series B convertible preferred stock is outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series B convertible preferred stock, such number of its duly authorized shares of common stock as shall from time to time be sufficient to effect the conversion of all outstanding Series B convertible preferred stock.

#### Series C Convertible Preferred Stock

In March 2021, the Company entered into a securities purchase agreement with Hadron Healthcare Master Fund (“Hadron”) with respect to a financing facility of up to \$46.0 million in exchange for newly-designated Series C convertible preferred stock of the Company and warrants to purchase the Company’s common stock.

At the closing of the transaction in March 2021, Hadron purchased \$23.0 million of Units at a price of \$3.70 per Unit. Each Unit is comprised of one share of Series C preferred stock and a four-year warrant to purchase two and one-half shares of common stock. Accordingly, the Company issued to Hadron 6,216,216 shares of Series C preferred stock and warrants to purchase up to an aggregate of 15,540,540 shares of common stock. Each share of Series C preferred stock is convertible, at Hadron's option, into five shares of common stock, and each warrant is exercisable at an exercise price of \$1.087 per share. The warrants shall be subject to early termination if certain milestones are attained, and the market value of the Company's common stock reaches certain predetermined levels. The fair value of the warrants of approximately \$9.5 million on the issuance date was allocated to the proceeds and recorded as additional paid-in capital. The Company incurred costs of approximately \$387,000 relative to the issuance of the aforementioned shares to Hadron which was recorded as a reduction to additional paid-in capital in March 2021.

In connection with the closing of the transaction, the Company filed a certificate of designation with respect to the rights and preferences of the Series C convertible preferred stock. Such stock is zero coupon, non-voting, and has a liquidation preference equal to its investment amount plus declared but unpaid dividends. Holders of Series C convertible preferred stock are entitled to receive dividends on an as-converted basis.

Of the \$23.0 million of proceeds received by the Company in March 2021, approximately (i) \$7.8 million was designated to fund construction and upgrades of certain of the Company's owned and managed facilities, which was expended in 2021, and (ii) \$15.2 million was used to pay down debt and obligations, comprised of principal and interest on the \$4.4M Notes, the \$1.0M Note, the New \$3.0M Note, the \$5.8M Note, the Existing Notes, the New 2020 Notes (all referred to in Note 11 – *Promissory Notes*), and a portion of the *Due To Related Parties* balance discussed in Note 19 – *Related Party Transactions*.

A portion of the balance of the facility is available to fund the Kind acquisition previously discussed in Note 3 – *Acquisitions*, provided such acquisition is consummated, including obtaining the necessary regulatory approvals, no later than the end of 2022. Such funds shall be provided by Hadron on the same aforementioned terms as the initial proceeds.

Provided that as at least 50.0% of the shares of Series C convertible preferred stock remain outstanding, the holders shall have the right to appoint one observer to the Company's board and to each of its board committees, and appoint a member to the Company's board if and when a seat becomes available, at which time the observer roles shall terminate.

The transaction imposes certain covenants on the Company with respect to the incurrence of new indebtedness, the issuance of additional shares of any designation of preferred stock, and the payment of distributions.

## **NOTE 14 – STOCKHOLDERS' EQUITY**

### *Stockholder Resolutions*

At the Company's 2021 annual meeting of stockholders in September 2021 (the "Annual Meeting"), stockholders approved an amendment to the Company's certificate of incorporation increasing the number of authorized shares of common stock from 500,000,000 to 700,000,000.

Also at the Annual Meeting, stockholders approved an amendment to the Company's Amended and Restated 2018 Stock Award and Incentive Plan (the "Plan") increasing the aggregate number shares reserved for issuance under the Plan from 40,000,000 to 70,000,000.

### *Undesignated Preferred Stock*

In February 2020, the Company filed a certificate of elimination to return all shares of formerly designated Series A convertible preferred stock to the status of authorized and unissued shares of undesignated preferred stock.

### Common Stock

In February 2020, pursuant to the TIS Exchange Agreement discussed in Note 13 – *Mezzanine Equity*, the 4,908,333 shares of common stock exchanged for shares of Series B convertible preferred stock were treated as an increase to treasury stock of \$14,725,000 (\$3.00 per share), and then immediately cancelled, thereby reducing treasury stock to zero, with corresponding reductions to common stock of approximately \$5,000 (the par value of the exchanged common shares) and additional paid-in capital of approximately \$14,720,000.

In 2021 and 2020, the Company granted 11,374 and 109,210 shares of common stock, respectively, to an employee for services in lieu of salary. The fair value of these shares of approximately \$9,000 in 2021 and \$21,000 in 2020 was charged to compensation expense. Of the shares granted in 2020, 11,413 shares, with a fair value of approximately \$5,000, were yet to be issued at December 31, 2020, and were included in *Common Stock Subscribed But Not Issued* on the balance sheet at that date.

In 2021, the Company granted 245,217 shares of restricted common stock to three employees. The fair value of these restricted shares of approximately \$226,000 was charged to compensation expense. No shares of restricted common stock were issued in 2020.

In 2021 and 2020, the Company issued 71,691 and 4,400,000 shares of common stock, respectively, to settle obligations of \$51,000 and approximately \$699,000, respectively. Based on the price of the Company's common stock on the settlement dates, the Company incurred non-cash losses of approximately \$2,500 in 2021 and \$45,000 in 2020, which were reflected under *Loss On Obligations Settled with Equity* on the statement of operations for each period.

In 2021, the Company issued (i) 1,125,000 shares of common stock valued at approximately \$1,016,000 in exchange for consulting services, and (ii) 109,308 shares valued at approximately \$92,000 to pay for licensing fees. No such services or fees were paid with common stock in 2020.

In 2021, 79,815 shares of common stock were returned to the Company from the adjustment of a previously converted debenture. In 2020, 90,000 shares of common stock granted to employees and 1,297,447 shares of common stock issued from the exercise of stock options by a related party, were returned by the holders of such common stock.

In 2021, the Company issued 750,000 shares of common stock as part of the purchase price for land and buildings located in Metropolis, IL. No stock was issued to purchased fixed assets in 2020.

In 2021 and 2020, the Company issued 11,413 and 3,236,857 shares of common stock, respectively, associated with previously issued subscriptions on common stock with a value of approximately \$5,000 and \$1,168,000, respectively.

As previously disclosed in Note 3 – *Acquisitions*, the Company issued 100,000 shares of common stock as part of the purchase price to acquire the remaining 30.0% ownership interest of MediTaurus.

As previously disclosed in Note 11 – *Promissory Notes*, the Company issued (i) 1,900,000 shares of common stock in 2020 to extinguish \$352,000 of principal on the \$11.5M Note, (ii) 2,525,596 shares common stock in 2020 upon the conversion of \$460,050 of principal and interest on the \$900k Note, (iii) 1,739,759 shares of common stock in 2020 to retire \$500,000 of the Existing Notes, (iv) 3,365,972 shares of common stock in 2021 upon the conversion of approximately \$1,010,000 of principal and interest on the \$8.8M Note, (v) 8,033,296 shares of common stock in 2021 upon the conversion of approximately \$2,812,000 of principal on the \$3.2M Note,

As previously disclosed in Note 12 – *Debentures Payable*, the holder of the \$21M Debentures converted (i) approximately \$10.1 million of principal and interest in 2020 into 77,766,559 shares of common stock, and (ii) approximately \$1.4 million of principal and interest in 2021 into 4,610,645 shares of common stock.

As further disclosed in Note 15 – *Options*, in 2021 and 2020, 277,373 and 550,000 shares of common stock, respectively, were issued in connection with the exercise of stock options.

As further disclosed in Note 16 – *Warrants*, warrants to purchase 980,062 shares of common stock were exercised in 2021. No warrants were exercised in 2020.

Common Stock Issuance Obligations

At December 31, 2020, the Company was obligated to issue 11,413 shares of common stock, valued at approximately \$5,000, in connection with stock grants to an employee. These shares were issued in February 2021. The Company had no such obligation at December 31, 2021.

**NOTE 15 – STOCK OPTIONS**

During 2021, the Company granted three- and five-year options to purchase up to 30,873,921 shares of common stock at exercise prices ranging from \$0.30 to \$1.00 per share. The fair value of these options of approximately \$18,690,000 in the aggregate is being amortized to compensation expense over the respective option vesting periods, of which approximately \$12,281,000 was amortized in 2021. Additionally, compensation expense in 2021 for options issued in previous years, and continuing to be amortized over their respective vesting periods, approximated \$235,000.

During 2020, five-year options to purchase up to 4,494,500 shares of common stock were issued to employees at exercise prices ranging from \$0.14 to \$0.30 per share. The fair value of these options of approximately \$501,000 in the aggregate is being amortized to compensation expense over their respective vesting periods, of which approximately \$282,000 was amortized in 2020. Additionally, compensation expense in 2020 for options issued in previous years, and continuing to be amortized over their respective vesting periods, approximated \$801,000.

During 2021, options to purchase 496,000 shares of common stock were exercised at prices ranging from \$0.14 to \$0.63 per share. Of these exercised options, 325,000 were exercised on a cashless basis with the exercise prices paid via the surrender of 218,627 shares of common stock.

During 2019, options to purchase 3,667,499 shares of common stock were exercised at prices ranging from \$0.8 to \$0.77 per share. Of these exercised options, 2,167,499 were exercised on a cashless basis with the exercise prices paid via the surrender of 405,691 shares of common stock.

During 2021 and 2020, options to purchase 362,000 and 200,000 shares of common stock, respectively, were forfeited or expired, resulting in an aggregate reduction of amortized compensation expense of approximately \$42,000 in 2021 and \$113,000 in 2020.

Stock options outstanding and exercisable as of December 31, 2021 were:

Exercise Price per Share	Shares Under Option		Remaining Life in Years
	Outstanding	Exercisable	
\$ 0.140	80,000	80,000	3.52
\$ 0.149	500,000	500,000	4.00
\$ 0.169	200,000	200,000	3.87
\$ 0.225	2,000,000	1,437,500	3.86
\$ 0.250	50,000	50,000	3.17
\$ 0.250	20,000	20,000	3.41
\$ 0.250	50,000	25,000	3.82
\$ 0.250	800,000	800,000	3.87
\$ 0.250	80,000	80,000	3.90
\$ 0.300	398,000	398,000	3.25
\$ 0.417	900,000	900,000	2.98
\$ 0.505	100,000	75,000	4.01
\$ 0.505	800,000	300,000	4.03
\$ 0.590	15,000	15,000	2.93
\$ 0.690	15,000	-	4.92

\$	0.693	500,000	-	4.94
\$	0.700	650,000	50,000	4.92
\$	0.740	520,000	425,625	4.33
\$	0.755	1,050,000	550,000	4.98
\$	0.770	200,000	200,000	1.00
\$	0.800	25,000	-	4.89
\$	0.830	287,000	215,250	4.23
\$	0.830	600,000	150,000	4.41
\$	0.840	878,921	600,000	4.54
\$	0.840	99,000	39,600	4.59
\$	0.850	90,000	41,250	4.45
\$	0.850	72,500	-	4.88
\$	0.870	250,000	-	5.00
\$	0.880	11,550,000	5,925,000	4.52
\$	0.880	15,000	625	4.62
\$	0.880	410,000	-	4.84
\$	0.890	10,000	2,500	4.06
\$	0.892	40,000	20,000	4.05
\$	0.895	25,000	18,750	4.07
\$	0.898	11,250,000	5,625,000	4.75
\$	0.900	50,000	50,000	1.36
\$	0.910	50,000	50,000	0.81
\$	0.920	300,000	18,750	4.51
\$	0.928	500,000	100,000	4.61
\$	0.950	50,000	50,000	1.00
\$	0.970	100,000	75,000	4.45
\$	0.983	145,000	36,250	4.49
\$	0.990	500,000	-	4.72
\$	0.992	300,000	300,000	2.74
\$	1.000	15,000	15,000	2.46
\$	1.000	125,000	125,000	2.84
\$	1.350	100,000	100,000	1.58
\$	1.950	375,000	375,000	1.50
\$	2.320	100,000	100,000	1.69
\$	2.450	2,000,000	2,000,000	0.98
\$	2.500	100,000	100,000	1.65
\$	2.650	200,000	200,000	1.73
\$	2.850	56,250	56,250	0.95
\$	2.850	100,000	100,000	1.95
\$	3.000	25,000	25,000	1.96
\$	3.725	100,000	100,000	1.94
		<u>39,821,671</u>	<u>22,720,350</u>	

#### NOTE 16 – WARRANTS

During 2021, the Company issued warrants to Hadron to purchase up to 15,540,540 shares of common stock at an exercise price of \$1.087 per share, expiring four years from issuance, as part of the Hadron transaction previously discussed in Note 13 – *Mezzanine Equity*. The fair value of these warrants on the issuance date of approximately \$9.5 million was allocated to the warrant of the \$23.0 million of proceeds from the Hadron transaction and recorded in additional paid in capital. Also during 2021, the Company issued warrants to purchase up to 2,100,000 shares of common stock at exercise prices ranging from \$0.50 to \$0.83 per share, expiring three and five years from issuance. The fair value of these warrants on their issuance dates approximated \$1,487,000 in the aggregate which was charged to compensation expense.

During 2020, in conjunction with the \$21M Debentures discussed in Note 12 – *Debentures Payable*, the Company issued three-year warrants to purchase up to 180,000 shares of common stock at an exercise price of \$0.75 per share. Also during 2020, as discussed in Note 11– *Promissory Notes*, (i) in conjunction with the \$8.8M Note, the Company issued three-year warrants to purchase up to 750,000 shares of common stock at an exercise price of \$0.50 per share, and (ii) in consideration of the Second Extension Agreement, the Company issued four-year warrants to purchase up to 5,000,000 shares of the Company’s common stock at an exercise price of \$0.25 per share. The fair value of these warrants on their issuance dates approximated \$639,000 in the aggregate, of which approximately \$10,000 was amortized to interest expense in the period and the remainder to be amortized over the terms of the respective debt instruments.

During 2021, warrants to purchase 1,237,500 shares of common stock were exercised at exercise prices ranging from \$0.11 to \$0.55 per share. Of these exercised warrants, 437,500 were exercised on a cashless basis with the exercise prices paid via the surrender of 257,438 shares of common stock. No warrants were exercised in 2020.

During 2021, warrants to purchase 6,968,637 shares of common stock with exercise prices ranging from \$0.90 to \$5.50 per share were forfeited or expired. During 2020, warrants to purchase 817,939 shares of common stock with exercise prices ranging from \$0.40 to \$2.25 per share were forfeited or expired.

At December 31, 2021 and 2020, warrants to purchase up to 26,351,571 and 16,917,168 shares of common stock, respectively, were outstanding with exercise prices ranging from \$0.11 to \$5.50 per share across both periods.

#### NOTE 17 – REVENUES

For the years ended December 31, 2021 and 2020, the Company’s revenues were comprised of the following major categories:

	2021	2020
Product sales - retail	\$ 82,127,513	\$ 28,980,763
Product sales - wholesale	26,118,751	10,419,963
Real estate rentals	6,548,047	6,776,697
Management fees	3,078,925	1,481,897
Supply procurement	2,107,969	1,549,856
Licensing fees	1,482,648	1,684,792
Other	305	1,183
Total revenues	<u>\$ 121,464,158</u>	<u>\$ 50,895,151</u>

For the years ended December 31, 2021 and 2020, revenues from two clients represented 11% and 20%, respectively, of total revenues.

#### NOTE 18 – BAD DEBTS

The Company maintains two types of reserves to address uncertain collections of amounts due—an allowance against trade accounts receivable (the “AR Allowance”), and a reserve against cash advanced by the Company to its cannabis-licensed clients for working capital purposes (the WC Reserve”).

During 2021, the Company increased (i) the AR Allowance by \$1,400,000, as a general reserves against aging receivable balances, and (ii) the WC Reserve by approximately \$462,000, to reserve the working capital balance of Harvest. During 2020, the Company increased (i) the AR Allowance by \$500,000, which was comprised of increases to the specific allowances against Kind and Harvest receivables of approximately \$790,000 and \$76,000, respectively, offset by a reduction to the general allowance of approximately \$366,000, and (ii) the WC Reserve by approximately \$482,000, to reserve the working capital balance of Harvest. The increases to the AR Allowance and WC Reserve were charged to Bad Debts on the statement of operations for the year ended December 31, 2020

**NOTE 19 – INCOME TAXES**

At December 31, 2021 and 2020, the Company’s cumulative federal net operating losses were approximately \$24.0 million and \$10.6 million, respectively. At December 31, 2021, the Company recorded a provision for income taxes of approximately \$16.2 million, due in part to the aforementioned impact of Section 280E of the Internal Revenue Code, which prohibits the deduction certain ordinary business expenses. At December 31, 2020, no income tax provision was recorded.

The reconciliations between the Company’s effective tax rates and the statutory tax rate for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
U.S federal taxes at the statutory rate	21.0%	21.0%
State taxes net of federal benefit	16.5%	46.0%
Section 280E adjustment	14.7%	43.6%
Stock based compensation	10.5%	30.0%
Other	0.9%	(1.0)%
Valuation allowance	0.0%	(93.6)%
<b>Total</b>	<b>63.6%</b>	<b>46.0%</b>

The approximate income tax effect of the Company’s loss carryforwards and temporary differences at December 31, 2021 and 2020 were as follows:

	2021	2020
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 6,981,492	2,235,987
Allowance for doubtful accounts	11,810,425	11,400,555
Stock compensation	2,556,946	2,758,541
Loss on equity investments	8,632,902	8,629,490
Goodwill writeoffs	1,262,877	1,138,419
Change in fair value of investments	598,957	282,291
Lease payments	170,543	151,936
Reserves	147,982	-
<b>Deferred tax liabilities:</b>		
Depreciation	(2,520,188)	(1,717,596)
Real estate revenue	(999,739)	(997,590)
<b>Net deferred tax asset</b>	<b>28,642,197</b>	<b>23,882,033</b>
Valuation allowance	(28,642,197)	(23,882,033)
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

Federal net operating losses carryforward indefinitely, subject to an annual limitation of 80% of taxable income, while state net operating losses expire at various dates beginning in 2031. These tax attributes are subject to an annual limitation from equity shifts, which constitute a change of ownership as defined under IRC Section 382. The Company recorded a valuation allowance against its net deferred tax assets at December 31, 2021 and 2020 due to the uncertainty regarding the realization of such assets. The Company’s assessment of the realization of its deferred tax assets of future periods may differ in light of changing circumstances.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state jurisdictions. The Company is currently open to examination under the statute of limitations by the Internal Revenue Service and state jurisdictions for the tax years ended 2017 through 2020.

**NOTE 20 – RELATED PARTY TRANSACTIONS**

Effective July 1, 2021, the Company entered into employment agreements with its CEO, CFO, and COO, expiring in June 2024, that provide for an annual base salary of \$350,000, \$325,000, and \$300,000, respectively, and the



ability to receive annual bonuses of up to 75% of the executive's annual base salary for each year during the term, based on reaching certain performance goals established by the Company.

Pursuant to the agreements, the CEO, CFO, and COO were granted (i) on the effective date, options to purchase up to 5,000,000, 5,000,000, and 1,250,000 shares, respectively, of the Company's common stock, at an exercise price of \$0.88 per share, that vest over one year and expire in July 2026, and (ii) in October 2021, options to purchase up to 5,000,000, 5,000,000, and 1,250,000 shares, respectively, of the Company's common stock, at an exercise price of \$0.90 per share, that vest over one year and expire in September 2026.

Additionally, the agreements (i) provide these officers with additional grants on each anniversary of the effective date of the agreements in the sole discretion of the Company's Compensation Committee, and contain covenants not to compete, non-solicitation provisions, and termination obligations, among other terms and conditions.

In July 2021, the Company granted five-year options to purchase up to 100,000 shares of common stock to each of the Company's three independent board members at an exercise price of \$0.88 per share.

In December 2021, the CEO and CFO each exercised options to purchase 100,000 shares of common stock on a cashless basis. The exercise price of \$0.63 per share was paid via the surrender by each individual of 73,256 shares of common stock. Also in this month, an independent board member allowed to expire options to purchase up to 100,000 of commons stock at an exercise price of \$0.63 per share.

In April 2020, the Company issued options to purchase up to 50,000 shares of common stock to its COO, with an exercise price of \$0.30 per share and expiring three years from grant date. The fair value of these options of approximately \$6,000 was charged to compensation expense over the annual vesting period. No options were issued to related parties in 2021.

In 2020, options to purchase an aggregate of 550,000 shares of common stock were exercised by the Company's CEO, CFO, and an independent board member at exercise prices of \$0.13 and \$0.14 per share.

The Company's corporate offices are leased from an entity in which the Company's CFO has an investment interest. This lease expires in October 2028 and contains a five-year extension option. In 2021 and 2020, expenses incurred under this lease approximated \$156,000 in both years.

The Company procures nutrients, lab equipment, cultivation supplies, furniture, and tools from an entity owned by the family of the Company's COO. The aggregate purchases from this entity in 2021 and 2020 approximated \$4.9 million and \$2.5 million, respectively.

The Company pays royalties on the revenue generated from its Betty's Eddies product line to an entity owned by the Company's COO and its SVP of Sales under a royalty agreement. This agreement was amended effective January 1, 2021 whereby, among other modifications, the royalty percentage changed from 2.5% on all sales of Betty's Eddies products to (i) 3.0% and 10.0% of wholesale sales of existing products within the product line if sold directly by the Company, or licensed by the Company for sale by third-parties, respectively, and (ii) 0.5% and 1.0% of wholesale sales of future developed products within the product line if sold directly by the Company, or licensed by the Company for sale by third-parties, respectively. The aggregate royalties due to this entity in 2021 and 2020 approximated \$266,000 and \$615,000, respectively.

In 2021 and 2020, one of the Company's majority owned subsidiaries paid aggregate distributions of approximately \$44,000 and \$30,000, respectively, to the Company's CEO and CFO, who own minority equity interests in such subsidiary. In 2021, another of the Company's majority owned subsidiaries paid distributions of approximately \$7,000 to a current employee who owns a minority equity interest in such subsidiary.

In 2021 and 2020, the Company purchased fixed assets and consulting services of approximately \$836,000 and \$938,000, respectively, in the aggregate from two entities owned by two of the Company's general managers.

In 2021 and 2020, the Company purchased fixed assets of approximately \$642,000 and \$182,000 from an entity owned by an employee.

The balance of *Due To Related Parties* at December 31, 2020 of approximately \$1.2 million was comprised of amounts owed of approximately (i) \$460,000 to the Company’s CEO, (ii) \$653,000 to entities owned by the Company’s CEO and CFO, and (iii) \$45,000 to a stockholder of the Company. All amounts owed were repaid in March 2021.

The Company’s mortgages with Bank of New England, DuQuoin State Bank, and South Porte Bank are personally guaranteed by the Company’s CEO and CFO.

## NOTE 21 – COMMITMENTS AND CONTINGENCIES

### Lease Commitments

The Company is the lessee under six operating leases and four finance leases. These leases contain rent holidays and customary escalations of lease payments for the type of facilities being leased. The Company recognizes rent expense on a straight-line basis over the expected lease term, including cancelable option periods which the Company fully expects to exercise. Certain leases require the payment of property taxes, insurance and/or maintenance costs in addition to the rent payments.

The details of the Company’s operating lease agreements are as follows:

- Delaware – 4,000 square feet of retail space in a multi-use building under a five-year lease that expires in April 2027 that the Company has developed into a cannabis dispensary which is subleased to its cannabis-licensed client.
- Delaware – a 100,000 square foot warehouse, of which the Company developed 60,000 square feet into a cultivation facility, and is developing the remaining space into processing facility, subleased to its cannabis-licensed client. The lease expires in March 2030, with an option to extend the term for three additional five-year periods.
- Delaware – a 12,000 square foot premises which the Company developed into a cannabis production facility with offices, and is subleases to its cannabis-licensed client. The lease expires in January 2026 and contains an option to negotiate an extension at the end of the lease term.
- Nevada – 10,000 square feet of an industrial building that the Company has built-out into a cannabis cultivation facility and plans to rent to its cannabis-licensed client under a sublease which will be coterminous with this lease expiring in 2024.
- Massachusetts – 10,000 square feet of office space which the Company utilizes as its corporate offices under a lease with a related party expiring in 2028, with an option to extend the term for an additional five-year period.
- Maryland – a 2,700 square foot two-unit apartment under a lease that expires in July 2022.

The Company leases machinery and office equipment under finance leases that expire in February 2022 through June 2024 with such terms being a major part of the economic useful life of the leased property.

The components of lease expense for the year ended December 31, 2021 were as follows:

Operating lease cost	\$	1,097,620
Finance lease cost:		
Amortization of right-of-use assets	\$	32,683
Interest on lease liabilities		5,088
Total finance lease cost	\$	<u>37,771</u>

The weighted average remaining lease term for operating leases is 7.4 years, and for the finance leases is 2.0 years. The weighted average discount rate used to determine the right-of-use assets and lease liabilities was between 7.5% to 12.0% for all leases.

Future minimum lease payments as of December 31, 2021 under all non-cancelable leases having an initial or remaining term of more than one year were:

	Operating Leases	Finance Leases
2021	\$ 1,132,909	\$ 27,123
2022	1,119,003	23,201
2023	1,049,635	3,229
2024	1,025,054	-
2025	969,584	-
Thereafter	2,611,297	-
Total lease payments	7,907,482	\$ 53,553
Less: imputed interest	(2,262,546)	(3,975)
	<u>\$ 5,644,936</u>	<u>\$ 49,578</u>

In November 2021, the Company entered into lease agreements for six retail properties, each with square footage between 4,000 and 6,000 square feet, in the state of Ohio (each an “Ohio Lease” and collectively the “Ohio Leases”). Each Ohio Lease has an initial lease period of eleven months, with a minimum rent of \$31.00 per square foot which increases 3.0% annually.

Should the Company be awarded one or more cannabis licenses by the state of Ohio prior to the end of the initial lease period, it can extend the term of one or more of the Ohio Leases to ten years (with two additional five-year options to extend) upon the payment of \$50,000 for each extended Ohio Lease, and develop the premises of such extended lease(s) into a cannabis dispensary. As of December 31, 2021, the lease terms of the Ohio Leases were all less than one year, and accordingly the Company was not required to record a right-of-use asset and corresponding lease liability on its balance sheet. The future lease payments of the Ohio Leases are excluded from the table of future minimum lease payments shown above.

#### Terminated Employment Agreement

An employment agreement which commenced in 2012 with Thomas Kidrin, the former CEO of the Company, was terminated by the Company in 2017. Since the termination date, the Company had maintained an accrual of approximately \$1,043,000 for any amounts that may be owed under this agreement.

In July 2019, Mr. Kidrin, also a former director of the Company, filed a complaint in the Massachusetts Superior Court, which alleged the Company failed to pay all wages owed to him and breached the employment agreement, and requested multiple damages, attorney fees, costs, and interest. The Company moved to dismiss certain counts of the complaint and asserted counterclaims against Mr. Kidrin alleging breach of contract, breach of fiduciary duty, money had and received, and unjust enrichment.

While the Company’s motion to dismiss was pending, the parties entered into a settlement agreement and general release in August 2021 whereby, among other conditions, (i) Mr. Kidrin’s complaint was dismissed with prejudice, (ii) the Company issued to Mr. Kidrin five-year warrants to purchase up to 1,000,000 shares of the Company’s common stock at an exercise price of \$0.50 per share, (iii) the Company irrevocably transferred intangible assets relating to the online virtual worlds business the Company had conducted in early 2014, prior to its pivot into the legal cannabis industry (such assets had zero carrying value on the Company’s balance sheet), and (iv) each party released and discharged the other from all claims, losses, and liabilities.

In August 2021, the fair value of the warrants of approximately \$776,000 was charged to compensation expense, and the Company reversed its accrual of approximately \$1,043,000

### Maryland Litigation

As previously disclosed in Note 3 – *Acquisitions*, the members of Kind had sought to renege on the parties' original agreement to a partnership/joint venture made in 2016 and subsequent MOU. The Company engaged with the members of Kind in good faith in an attempt to reach updated terms acceptable to both parties, however the members of Kind failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings.

In November 2019, Kind commenced an action by filing a complaint against the Company in the Circuit Court for Washington County, MD captioned Kind Therapeutics USA, Inc. vs. MariMed, Inc., et al. (Case No. C-21-CV-19-000670) (the "Complaint"). The Complaint, as amended, alleges breach of contract, breach of fiduciary duty, unjust enrichment, intentional misrepresentation, rescission, civil conspiracy, and seeking an accounting and declaratory judgment and damages in excess of \$75,000 (the Court has subsequently dismissed Kind's claims for declaratory judgment on the lease, rescission of the lease, and civil conspiracy). On November 15, 2019, the Company filed counterclaims against Kind and a third-party complaint against the members of Kind (Jennifer DiPietro, Susan Zimmerman, and Sophia Leonard-Burns) and William Tham (the "Counterclaims"). The Counterclaims, as amended, allege breach of contract with respect to each of the partnership/joint venture agreement, the MOU, the MSA, the Lease, and the Licensing and Manufacturing Agreement ("LMA"), unjust enrichment, promissory estoppel/detrimental reliance, fraud in the inducement, breach of fiduciary duty, and seeks reformation of the MSA, a declaratory judgment regarding enforceability of the partnership/joint venture arrangement and/or the MOU, specific performance of the parties' various contracts, and the establishment of a constructive trust for the Company's benefit. The Counterclaims also seek damages.

At the time the Complaint and Counterclaims were filed, both parties, the Company (including its subsidiaries MariMD and MariMed Advisors Inc.) and Kind, brought motions for a temporary restraining order and a preliminary injunction. By Opinion and Order entered on November 21, 2019, the Court denied both parties motions for a temporary restraining order. In its opinion, the Court specifically noted that, contrary to Kind's allegations, the MSA and the Lease "appear to be independent, valid and enforceable contracts."

A hearing on the parties' cross-motions for preliminary injunction was held in September 2020 and November 2020. Also in November 2020, the Court granted the Company's motion for summary judgment as to the Lease, determining that the Lease is valid and enforceable. Based on this ruling, the Company is seeking judgment at trial in the amount of approximately \$5.4 million for past due rent and expenses owed by Kind under the Lease.

In December 2020, the Court entered a Preliminary Injunction Order, accompanied by a Memorandum Opinion, denying Kind's motion for a preliminary injunction (which Kind had withdrawn at the conclusion of the hearing) and granting the Company's request for preliminary injunction. The Court determined that the Company is likely to succeed with respect to the validity and enforceability of the MSA and the LMA, that the Company would suffer substantial and irreparable harm without the preliminary injunction, and that the balance of convenience and public interest both warranted the issuance of a preliminary injunction in the Company's favor. The Court ordered, *inter alia*, that the MSA and LMA are in effect pending judgment after trial on the merits, and that Kind and its members, and their attorneys, agents, employees, and representatives, are prohibited from (a) interfering with the Company's duties and responsibilities under the MSA and (b) withdrawing funds, making any distribution, paying any loans, returning any capital, or making any payment towards a debt from any Kind bank or other financial account(s) without written consent of the Company or Order of the Court, thereby preserving the Company's management of Kind's operations and finances at least through the jury trial currently scheduled to begin on March 28, 2022. Further, the Court ordered Kind to pay management and licensing fees to the Company beginning January 1, 2021. Kind has noted an appeal of the Order to the Maryland Court of Special Appeals, which the Court denied in December 2021, leaving the preliminary injunction order in effect.

In addition to the favorable rulings on the Lease, MSA, and LMA, the Company believes that its claims for declaratory relief, specific performance, and/or breach of contract with respect to the partnership/joint venture agreement claims are meritorious. Further, the Company believes that Kind's claims against the Company are without merit. On March 18, 2021, the Court issued an opinion and order on Kind's motion for summary judgment

finding that the MOU was not enforceable by the Company against Kind as a final binding agreement. The Company is evaluating an appeal of this ruling which under Maryland rules can only be pursued upon final judgment.

In March 2021, the Kind parties filed motions to modify the preliminary injunction order or, alternatively, for direction from the Court based on Kind's claim to have terminated the MSA. In September 2021, the court denied the motion to modify the preliminary injunction and granted, in part, the motion for direction, but only with respect to Kind's request to pay litigation costs. The preliminary injunction remains in full effect, and the Company filed a petition for civil contempt against the Kind parties for interfering with the Company's management of Kind. The contempt petition is currently pending.

On December 31, 2021, the parties to the foregoing Maryland litigation entered into a global Confidential Settlement and Release Agreement, along with the parties to the DiPietro lawsuit (described below). Also on such date, as previously discussed in Note 3 -- *Acquisitions* in this report, the Company entered into (i) a membership interest purchase agreement with the members of Kind to acquire 100% of the equity ownership of Kind, and (ii) a membership interest purchase agreement with one of the members of Kind to acquire such member's entire equity ownership interest Mari-MD and Mia.

On January 4, 2022, the Maryland court entered an order staying the litigation and rescheduling the jury trial to October 24, 2022, to November 4, 2022, in the event the transactions contemplated by the Confidential Settlement and Release Agreement are not consummated. Otherwise, simultaneous with the closing of the transactions contemplated by the Confidential Settlement and Release Agreement, the foregoing Maryland litigation will be dismissed with prejudice, along with the DiPietro lawsuit.

In the event the transactions contemplated by the Confidential Settlement and Release Agreement are not consummated, the Company intends to aggressively prosecute and defend the action.

#### DiPietro Lawsuit

In August 2020, Jennifer DiPietro, directly and derivatively on behalf of Mari-MD and Mia, commenced a suit against the Company's CEO, CFO, and wholly-owned subsidiary MariMed Advisors Inc. ("MMA"), in Suffolk Superior Court, Massachusetts.

In this action, DiPietro, a party to prior ongoing litigation in Maryland involving the Company and Kind as discussed above, brings claims for breach of fiduciary duty, breach of contract, fraud in the inducement, aiding and abetting the alleged breach of fiduciary duty, and also seeks access to books and records and an accounting related to her investments in Mari-MD and Mia. DiPietro seeks unspecified money damages and rescission of her interest in Mari-MD, but not of her investment in Mia, which has provided substantial returns to her as a member.

The Company has answered the complaint and MMA filed counterclaims against DiPietro on its own behalf and derivatively on behalf of Mari-MD for breach of her fiduciary duties to each of those entities, and for tortious interference with Mari-MD's lease and MMA's management services agreement with Kind.

On December 31, 2021, the parties to the foregoing Massachusetts litigation entered into a global Confidential Settlement and Release Agreement, along with the parties to the Maryland lawsuit described above. Because the Massachusetts litigation involves derivative claims, the Massachusetts Superior Court must approve the parties' proposed dismissal of those claims. The parties to the Massachusetts litigation have filed a joint motion seeking to dismiss the derivative claims. Simultaneous with the closing of the transactions contemplated by the Confidential Settlement and Release Agreement, all direct claims in the foregoing Massachusetts litigation will be dismissed with prejudice, along with the Maryland lawsuit.

In the event the transactions contemplated by the Confidential Settlement and Release Agreement are not consummated, the Company believes that the allegations of the complaint in the foregoing Massachusetts litigation are without merit and intends to defend the case vigorously. The Company's counterclaim seeks monetary damages from DiPietro, including the Company's legal fees in the Maryland lawsuit.

### Bankruptcy Claim

During 2019, the Company's MMH subsidiary sold and delivered hemp seed inventory to GenCanna Global Inc., a Kentucky-based cultivator, producer, and distributor of hemp ("GenCanna"). At the time of sale, the Company owned a 33.5% ownership interest in GenCanna. The Company recorded a related party receivable of approximately \$29.0 million from the sale, which was fully reserved on December 31, 2019.

In February 2020, GenCanna USA, GenCanna's wholly-owned operating subsidiary, under pressure from certain of its creditors including MGG Investment Group LP, GenCanna's senior lender ("MGG"), agreed to convert a previously-filed involuntary bankruptcy proceeding with the U.S. Bankruptcy Court in the Eastern District of Kentucky (the "Bankruptcy Court") into a voluntary Chapter 11 proceeding. In addition, GenCanna and GenCanna USA's subsidiary, Hemp Kentucky LLC (collectively with GenCanna and GenCanna USA, the "GenCanna Debtors"), filed voluntary petitions under Chapter 11 in the Bankruptcy Court.

In May 2020, after an abbreviated solicitation/bid/sale process, the Bankruptcy Court, over numerous objections by creditors and shareholders of the GenCanna Debtors which included the Company, entered an order authorizing the sale of all or substantially all of the assets of the GenCanna Debtors to MGG. After the consummation of the sale of all or substantially all of their assets and business, the GenCanna Debtors n/k/a OGGUSA, Inc. and OGG, Inc. (the "OGGUSA Debtors") filed their liquidating plan of reorganization (the "Liquidating Plan") to collect various prepetition payments and commercial claims against third parties, liquidate the remaining assets of the ODDUSA Debtors, and make payments to creditors. The Company and the unsecured creditors committee filed objections to such Liquidating Plan, including opposition to the release of litigation against the OGGUSA Debtors' senior lender, MGG, for lender liability, equitable subordination, and return of preference. As a part of such plan confirmation process, the OGGUSA Debtors filed various objections to proofs of claims filed by various creditors, including the proof of claim in the amount of approximately \$33.6 million filed by the Company. Through intense and lengthy negotiations with the OGGUSA Debtors and the unsecured creditors committee regarding the objections to the Liquidating Plan, the Company reached an agreement with the OGGUSA Debtors to withdraw the objections to the Company's claim and to have it approved by the Bankruptcy Court as a general unsecured claim in the amount of \$31.0 million.

Since the approval of the Liquidating Plan, the OGGUSA Debtors have been in the process of liquidating the remaining assets, negotiating and prosecuting objections to other creditors' claims, and pursuing the collection of accounts receivable and Chapter 5 bankruptcy avoidance claims.

In January 2022, the Company, at the request of the Liquidating Plan administrator for the OGGUSA Debtors, executed a written release of claims, if any, of the Company against Huron Consulting Group ("Huron"), a financial consulting and management company retained by the senior lender of the OGGUSA Debtors to perform loan management services for the lender and OGGUSA Debtors prior to and during their Chapter 11 bankruptcy cases. Such release was executed in connection with a comprehensive settlement agreement between the OGGUSA Debtors and Huron. In consideration for the Company's execution of the release, Huron paid an additional \$40,000 to the bankruptcy estates of the OGGUSA Debtors to be included in the funds to be distributed to creditors, including the Company.

As of the date of this filing, there is still insufficient information as to what portion, if any, of the Company's allowed claim will be paid upon the completion of the liquidation of the remaining assets of the OGGUSA Debtors.

### **NOTE 22 – SUBSEQUENT EVENTS**

#### Acquisition

In January 2022, the Company entered into a stock purchase agreement to acquire 100% of the ownership interests of Green Growth Group Inc., an entity that has been awarded a craft grow cannabis license issued by the Illinois Department of Agriculture ("IDA") for cultivation, production, and transporting of cannabis and cannabis-infused products in Illinois. The purchase price of \$3,400,000 shall be comprised of \$1,900,000 in cash and shares of the Company's common stock valued at \$1,500,000. The acquisition is conditioned upon the approval by the IDA, among other closing conditions, which is expected to occur by July 2022.

### Property Purchase

In January 2022, the Company entered into an agreement to purchase a 30-acre parcel of land located in Mt. Vernon, IL containing a 33,000 square foot manufacturing facility and a 13,000 square foot storage warehouse, in exchange for \$1,495,000 in cash. Upon execution of the agreement, the Company provided a deposit of \$100,000 to the seller. The transaction is expected to close in the second quarter of 2022, after the Company has performed a complete inspection and feasibility review. If such review determines that the premises will not satisfy the Company's requirements, the Company shall have the right to terminate the agreement with no other obligation other than the loss of the deposit.

### Return on Investment

In February 2022, the Company received 121,968 shares of common stock of WM Technology, Inc. (Nasdaq: MAPS), a technology and software infrastructure provider to the cannabis industry. The shares were received for no consideration, and represent the Company's pro rata share of additional consideration received by MRSVP pursuant to the asset purchase agreement previously discussed in Note 4 – *Investments*.

### Promissory Note Conversion

In February 2022, the noteholder of the \$3.2M Note converted \$400,000 of principal into 1,142,858 shares of the Company's common stock. Such conversion was effected in accordance with the terms of the note agreement, and therefore the Company was not required to record a gain or loss upon conversion. Upon this conversion, the \$3.2M Note no longer had an outstanding balance and was fully retired.

### Cannabis License

In February 2022, the Company was notified that it was awarded a cannabis dispensary license from the state of Ohio, and is awaiting the final verification process to be completed by the state.

### Equity Transactions

Subsequent to December 31, 2021, (i) options to purchase 10,000 shares of common stock were exercised at an exercise price of \$0.30 per share.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward Looking Statements**

When used herein, words or phrases such as "anticipate," "believe," "could," "would," "should," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. These factors include, but are not limited to, changes that may occur to general economic and business conditions; changes in current pricing levels that the Company can charge for its services and products or which it pays to its suppliers and business partners; changes in political, social and economic conditions in the jurisdictions in which the Company operates; changes to regulations that pertain to its operations; changes in technology that render the Company's technology relatively inferior, obsolete or more expensive compared to others; changes in the business prospects of the Company's business partners and customers; increased competition, including from the Company's business partners; and enforcement of federal cannabis related laws.

The following discussion should be read in conjunction with the financial statements and related notes which are included in this prospectus.

The Company does not undertake to update its forward-looking statements or risk factors to reflect future events or circumstances.

### **Overview**

MariMed Inc. (the "Company") is a multi-state operator in the United States cannabis industry. The Company develops, operates, manages, and optimizes over 300,000 square feet of state-of-the-art, regulatory-compliant facilities for the cultivation, production and dispensing of medicinal and recreational cannabis. The Company also licenses its proprietary brands of cannabis and hemp-infused products, along with other top brands, in several domestic markets and overseas.

Upon its entry into the cannabis industry in 2014, the Company was an advisory firm that procured state-issued cannabis licenses on behalf of its clients, developed cannabis facilities which it leased to these newly-licensed companies, and provided industry-leading expertise and oversight in all aspects of their cannabis operations. The Company also provided its clients with ongoing regulatory, accounting, real estate, human resources, and administrative services.

Over the last few years, the Company made the strategic decision to transition from a consulting business to a direct owner and operator of cannabis licenses in high-growth states. Core to this transition is the acquisition and consolidation of the Company's clients (the "Consolidation Plan"). Among several benefits, the Consolidation Plan would present a simpler, more transparent financial picture of the full breadth of the Company's efforts, with a clearer representation of the revenues, earnings, and other financial metrics the Company has generated for its clients. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to funding their operations, and to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these businesses and manage the continuing growth of their operations.



To date, the acquisition and consolidation of the Company's client businesses in Massachusetts and Illinois have been completed. The acquisition of a client business in Maryland has been contracted, and the Company is awaiting approval by the Maryland Cannabis Control Commission, which is pending. Upon approval, this entity will be consolidated. The acquisitions of the remaining businesses located in Nevada and Delaware are at various stages of completion and subject to each state's laws governing the ownership transfer of cannabis licenses and other closing conditions. Delaware will require a modification of current cannabis ownership laws to permit for-profit ownership, which is expected to occur when the state legalizes recreational adult-use cannabis. Until the law changes and the acquisition is approved, the Company continues to generate revenue from rental income, management fees, and licensing royalties.

The transition to a fully integrated multi-state cannabis operator ("MSO") is part of a strategic growth plan (the "Strategic Growth Plan") the Company is implementing to drive its revenues and profitability. The Strategic Growth Plan has four components: (i) complete the Consolidation Plan, (ii) increase revenues in existing states, by spending capital to increase the Company's cultivation and production capacity, and develop additional assets within those states, (iii) expand the Company's footprint in additional legal cannabis states through new applications and acquisitions of existing cannabis businesses, and (iv) optimize the Company's brand portfolio and licensing revenue by expanding into additional states with legal cannabis programs.

The Company has created its own brands of cannabis flower, concentrates, and precision-dosed products utilizing proprietary strains and formulations. These products are developed by the Company in cooperation with state-licensed operators who meet the Company's strict quality standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its brands and product formulations only to certified manufacturing professionals who follow state cannabis laws and adhere to the Company's precise scientific formulations and product recipes.

The Company markets its high-quality cannabis flowers and concentrates under the award-winning<sup>1</sup> Nature's Heritage brand; cannabis-infused chewable tables and powder drink mixes under the brand names Kalm Fusion and K Fusion; all natural fruit chews under the award-winning<sup>1</sup> Betty's Eddies brand; and brownies, cookies, and other social sweets under the Bubby's Baked brand. The Company's cannabis-infused brands have been top-selling products in Maryland and Massachusetts.<sup>2</sup> The Company intends to introduce additional product lines under these brands in the foreseeable future.

The Company also has strategic alliances with prominent brands. The Company has partnered with renowned ice cream maker Emack & Bolio's® to create a line-up of cannabis-infused vegan and dairy ice cream. Additionally, the Company has secured distribution rights for the Binske® line of cannabis products crafted from premium artisan ingredients, the Healer line of medical full-spectrum cannabis tinctures, and the clinically-tested medicinal cannabis strains developed in Israel by global medical cannabis research pioneer Tikun Olam.

<sup>1</sup> Awards won by the Company's Betty's Eddies brand include LeafLink 2021 Best Selling Medical Product, Reddit Sparkie 2021 Best Edible, Respect My Region 2021 Hottest Edible, LeafLink 2020 Industry Innovator, and Explore Maryland Cannabis 2020 Edible of the Year. Awards won by the Company's Nature's Heritage brand include the Cultivators Cup 2021 Silver Medal and the High Times Cannabis Cup 2021 Bronze Medal.

<sup>2</sup> Source: LeafLink Insights 2020

## **Revenues**

The Company's revenues are primarily comprised of the following categories:

- Product Sales – direct sales of cannabis and cannabis-infused products by the Company's dispensary and wholesale operations in Massachusetts and Illinois, and sales of hemp and hemp-infused products. Future product sales are expected to include the Company's planned cannabis-licensee acquisitions in Maryland, Nevada, and Delaware (upon this state's amendment to permit for-profit ownership of cannabis entities).
- Real Estate – rental income and additional rental fees generated from leasing of the Company's state-of-the-art, regulatory-compliant cannabis facilities to its cannabis-licensed clients.

- Management – fees for providing the Company's cannabis clients with comprehensive oversight of their cannabis cultivation, production, and dispensary operations. Along with this oversight, the Company provides human resources, regulatory, marketing, and other corporate services.
- Supply Procurement – resale of cultivation and production resources, supplies, and equipment, acquired by the Company from top national vendors at volume discounted prices, to its clients and third-parties within the cannabis industry.
- Licensing – revenue from the sale of precision-dosed, cannabis-infused products—such as Betty's Eddies, Kalm Fusion, and Nature's Heritage—to regulated dispensaries throughout the United States and Puerto Rico.

## Expenses

The Company classifies its expenses into three general categories:

- Cost of Revenues – the direct costs associated with the generation of the Company's revenues.
- Operating Expenses – comprised of the sub-categories of personnel, marketing and promotion, general and administrative, and bad debts.
- Non-operating Income and Expenses – comprised of the sub-categories of interest expense, interest income, losses on obligations settled with equity, equity in earnings of investments, changes in the fair value of non-consolidated investments, and other non-recurring gains or losses.

## Liquidity and Capital Resources

The Company produced significant improvements to its liquidity in the reported periods:

- Cash and cash equivalents increased nearly ten-fold to \$29.7 million at December 31, 2021, from \$3.0 million at December 31, 2020.
- In 2021, the Company's operating activities provided positive cash flow of \$35.9 million, compared to \$3.4 million in 2020.
- At December 31, 2021, working capital increased to \$17.4 million from a working capital deficit of \$2.2 million at December 31, 2020, a positive swing of \$19.6 million.
- The Company generated net income of \$7.6 million in 2021, an increase of 214% from net income of \$2.4 million in 2020.

The aforementioned improvements to the Company's liquidity were primarily the result of increases in revenues and profitability generated by the Company's cannabis operations in the states of Illinois and Massachusetts. These operations launched as part of the Company's aforementioned Consolidation Plan to transition from a consulting business to a direct owner of cannabis licenses and operator of seed-to-sale operations. The liquidity improvements were also attributable to \$23.0 million of equity capital raised from Hadron Healthcare Master Fund ("Hadron"), further discussed under the *Financing Activities* section below.

In addition to the above, the Company evaluates liquidity using the financial measurement of Adjusted EBITDA, a commonly used metric to assess liquidity that is not defined by generally accepted accounting principles. The section below entitled *Non-GAAP Measurement* discusses the components of this measurement in further detail.

### Operating Activities

Net cash provided by operating activities was \$35.9 million in 2021, compared to \$3.4 million in 2020. The year-over-year improvement was primarily attributable to the increase in cannabis-derived profits in 2021 generated by the Company's four active dispensaries in Illinois, and its retail and wholesale operations in Massachusetts.

### Investing Activities

Net cash used in investing activities was \$16.6 million in 2021, compared to \$4.5 million in 2020. The year-over-year increase was attributable to an increase in property and equipment expenditures in 2021 for the Company's facilities in Delaware, Illinois, Maryland, and Massachusetts, offset by \$1.2 million of proceeds from the asset sale of a Company-owned investment.

### Financing Activities

Net cash provided by financing activities was \$7.5 million in 2021, compared to \$3.3 million in 2020. In March 2021, the Company entered into a securities purchase agreement with Hadron Healthcare Master Fund ("Hadron") whereby Hadron will provide funding of up to \$46.0 million to repay existing non-mortgage debt, to fund expansion plans of existing operations, and to finance planned acquisitions. In March 2021, Hadron funded \$23.0 million under this facility. The Company also raised \$2.7 million from a new mortgage. These proceeds were offset by the repayment of \$17.0 million of debt in 2021.

In 2020, the Company raised \$21.4 million from debt financings, offset by \$17.4 million of promissory note and mortgage repayments during the year.

The proceeds from the aforementioned financings were used to execute on the Company's strategy to become a fully integrated multistate operator of seed-to-sale cannabis operations, to continue the development of its regulated facilities, to pay down its debt, to expand its branded licensing business, and for working capital purposes.

## **Results of Operations**

### Year ended December 31, 2021 compared to year ended December 31, 2020

Revenues grew to \$121.5 million in 2021, an increase of \$70.6 million or 139%, compared to \$50.9 million in 2020. The year-over-year increase was primarily due to the nearly three-fold expansion of the Company's cannabis sales to \$108.2 million in 2021, compared to \$39.4 million in 2020. This growth was primarily attributable to sales increases of (i) \$38.3 million generated by the Company's dispensaries in Illinois, where one new dispensary commenced operations in May 2021, and three ongoing dispensaries experienced an 80% year-over-year increase in customer visits, (ii) \$14.0 million generated from the Company's dispensary in Massachusetts, which experienced a nearly six-fold year-over-year increase in customer visits, and (iii) \$15.7 million generated by the Company's wholesale operations in Massachusetts, which experience a 151% increase in customers in 2021 compared to 2020.

The year-over-year increase in revenues was also the result of the continued growth of rental income, management fees, and supply procurement revenue, generated primarily from the Company's cannabis clients in Delaware and Maryland.

Cost of revenues were \$55.2 million in 2021 compared to \$19.6 million in 2020, an increase of \$35.6 million. The year-over-year variance was primarily attributable to the higher level of revenues as these costs are largely variable in nature and fluctuate in-step with revenues. As a percentage of revenues, these costs increased to 45.4% in 2021 from 38.5% in the same period in 2020, primarily due to the change in the relative mix of revenue categories in each period. Specifically, in 2021, (a) 88.2% of revenues were comprised of product sales, which historically have had corresponding costs of revenue of in the range of 45.0% to 50.0%, and (b) 8.6% of revenues were comprised of real estate and management revenue, which have no corresponding cost of revenue. This compares to revenues in 2020 that were comprised of (x) 77.4% of product sales and (y) 16.2% of real estate and management revenues. While the cost rate is higher for product sales, the level of product sales able to be generated by the Company is several

multiples higher than the level of real estate and management revenues able to be generated, resulting in significantly higher gross profit dollars to be generated by the Company.

Accordingly, gross profit grew to \$66.3 million in 2021 from \$31.3 million in 2020.

Personnel expenses increased to \$8.4 million in 2021 from \$5.5 million in 2020. The increase was primarily due to the hiring of additional staff to support (i) higher levels of revenue, and (ii) the Company's expansion into a direct owner and operator of seed-to-sale cannabis businesses, offset by the reversal of an approximate \$1.0 million accrual related to the settlement in August 2021 of an employment-related complaint. As a percentage of revenues, personnel expenses decreased to 6.9% in 2021 from 10.8% in 2020.

Marketing and promotion costs increased to \$1.6 million in 2021 from \$411,000 in 2020. The increase is primarily the result of increased spending on branding and design consulting, customer loyalty programs, social media, and local outdoor advertising. As a percentage of revenues, these costs increased to 1.3% in 2021 from 0.8% in 2020.

General and administrative costs increased to \$27.6 million in 2021 from approximately \$9.9 million in 2020. This change is primarily due to increases of (i) \$13.2 million in non-cash equity compensation expense associated with option grants and warrant issuances, (ii) \$1.2 million in credit card processing fees from a significant increase in credit card sales at the Company's cannabis dispensaries, (iii) \$1.1 million in facility costs on additional properties in service in 2021, (iv) \$965,000 in net professional fees primarily due to the hiring of investment bankers, offset by a reduction in legal costs, and (v) \$514,000 in depreciation and amortization expenses from higher levels of property, equipment, and intangibles.

Bad debt expense increased to \$1.9 million in 2021 from \$982,000 in 2020. The change is due to the increase of reserves recorded against aging trade accounts receivable and against the working capital balance of the Company's client in Nevada. As a percentage of revenues, this expense decreased to 1.5% in 2021 from 1.9% in 2020.

As a result of the foregoing, the Company generated operating income of \$26.9 million in 2021 compared to \$14.5 million in 2020.

Net non-operating expenses decreased to \$3.0 million in 2021 from \$10.0 million in 2020. The change is primarily due to a \$7.5 million reduction of interest expense from lower levels of outstanding debt, coupled with a \$309,000 gain on a nonconsolidated private company investment, offset by a \$757,000 decrease in the fair value of nonconsolidated public company investment.

As a result of the foregoing, the Company generated income before income taxes of \$23.8 million in 2021 and \$4.5 million in 2020. After a tax provision of \$16.2 million in 2021 and \$2.1 million in 2020, net income was \$7.6 million in 2020 and \$2.4 million in 2020.

#### Non-GAAP Measurement

In addition to the financial information reflected in this report, which is prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), the Company is providing a non-GAAP financial measurement of profitability – *Adjusted EBITDA* – as a supplement to the preceding discussion of the Company's financial results.

Management defines Adjusted EBITDA as net income (loss), determined in accordance with GAAP, excluding the following:

- interest income and interest expense;
- income taxes;
- depreciation of fixed assets and amortization of intangibles;
- non-cash expenses on debt and equity issuances;
- impairment or write-downs of intangible assets;
- unrealized gains and losses on investments and currency translations;
- legal settlements;

- gains or losses from the extinguishment of debt via the issuance of equity;
- discontinued operations; and
- merger- and acquisition-related transaction expenses.

Management believes Adjusted EBITDA is a useful measure to assess the performance and liquidity of the Company as it provides meaningful operating results by excluding the effects of expenses that are not reflective of its operating business performance. In addition, the Company's management uses Adjusted EBITDA to understand and compare operating results across accounting periods, and for financial and operational decision making. The presentation of Adjusted EBITDA is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP.

Management believes that investors and analysts benefit from considering Adjusted EBITDA in assessing the Company's financial results and its ongoing business as it allows for meaningful comparisons and analysis of trends in the business. Adjusted EBITDA is used by many investors and analysts themselves, along with other metrics, to compare financial results across accounting periods and to those of peer companies.

As there are no standardized methods of calculating non-GAAP measurements, the Company's calculations may differ from those used by analysts, investors, and other companies, even those within the cannabis industry, and therefore may not be directly comparable to similarly titled measures used by others.

Reconciliation of Net Income to Adjusted EBITDA (a Non-GAAP Measurement)

The table below reconciles Net Income to Adjusted EBITDA for the years ended December 31, 2021 and 2020:

	2021	2020
	<i>(Unaudited)</i>	
Net income	\$ 7,623,551	\$ 2,429,267
Interest expense, net	2,247,685	9,654,130
Income taxes	16,192,327	2,067,049
Depreciation and amortization	2,788,029	2,182,092
Earnings before interest, taxes, depreciation, and amortization	28,851,592	16,332,538
Amortization of stock grants	235,353	21,459
Amortization of option grants	12,494,209	969,136
Amortization of stand-alone warrant issuances	55,786	2,179
Amortization of warrants issued with stock	654,681	-
Loss on equity issued to settle obligations	2,546	44,678
Equity in earnings of investments	-	(98,813)
Asset write-down	-	84,708
Legal settlement	(266,717)	-
Change in fair value of investments	1,106,593	349,638
Adjusted EBITDA	<u>\$ 43,134,043</u>	<u>\$ 17,705,523</u>

**2022 Plans**

During 2022, the Company's focus will be on the following key areas:

- 1) Subject to the applicable state approvals, continue the execution of its Consolidation Plan.
- 2) Identify and open two new dispensary locations in Massachusetts that can service both the medical and adult-use marketplaces. Additionally, the Company plans to begin expansion of its New Bedford, MA cultivation and processing facility in the fourth quarter of 2022 and complete the project in 2023.
- 3) Build and open a cultivation and processing facility in Mt. Vernon, Illinois and begin the production and

sale of MariMed's award-winning branded products in both their retail dispensaries and through wholesale channels.

- 4) Increase fees paid by its managed services client in Delaware by expanding cultivation and processing facilities.
- 5) Complete the acquisition in Maryland and proceed with a plan to expand the cultivation and processing facilities as well as adding a dispensary location.
- 6) Drive licensing fees through the expansion of the Company's Nature's Heritage branded flower and popular infused-product brands Betty's Eddies and Kalm Fusion into the Company's owned and managed facilities, and with strategic partners into additional markets. Expand the licensed Tropizen® and Binske® brands.
- 7) Identify acquisition opportunities in other states.

No assurances can be given that any of these plans will come to fruition or that if implemented will necessarily yield positive results.

The following transactions occurred in early 2022:

In January 2022, the Company entered into a stock purchase agreement to acquire 100% of the ownership interests of Green Growth Group Inc., an entity that has been awarded a craft grow cannabis license issued by the Illinois Department of Agriculture (the "IDA") for cultivation, production, and transporting of cannabis and cannabis-infused products in Illinois. The purchase price of \$3,400,000 shall be comprised of \$1,900,000 in cash and shares of the Company's common stock valued at \$1,500,000. The acquisition is conditioned upon the approval by the IDA, among other closing conditions, which is expected to occur by July 2022.

Also in January 2022, the Company entered into an agreement to purchase a 30-acre parcel of land located in Mt. Vernon, IL containing a 33,000 square foot manufacturing facility and a 13,000 square foot storage warehouse, in exchange for \$1,495,000 in cash. Upon execution of the agreement, the Company provided a deposit of \$100,000 to the seller. The transaction is expected to close in the second quarter of 2022, after the Company has performed a complete inspection and feasibility review. If such review determines that the premises will not satisfy the Company's requirements, the Company shall have the right to terminate the agreement with no other obligation other than the loss of the deposit.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **Inflation**

In the opinion of management, inflation has not had a material effect on the Company's financial condition or results of its operations.

### **Seasonality**

In the opinion of management, the Company's financial condition and results of its operations are not materially impacted by seasonal sales.

### **Recent Accounting Pronouncements**

The Company has reviewed all other recently issued, but not yet effective, accounting pronouncements, and does not believe the future adoption of any such pronouncements will have a material impact on its financial condition or the results of its operations.

**SCHEDULE "B"**  
**AUDIT COMMITTEE CHARTER**

**MARIMED INC.**

**CHARTER  
OF  
THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

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**I. PURPOSE OF THE COMMITTEE**

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of MariMed Inc. (the "Corporation") is to assist the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries, including, without limitation, (a) assisting the Board's oversight of (i) the integrity of the Corporation's financial statements, (ii) the Corporation's compliance with legal and regulatory requirements, (iii) the Corporation's independent auditors' qualifications and independence, and (iv) the performance of the Corporation's independent auditors and the Corporation's internal audit function, and (b) preparing the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission (the "SEC") for inclusion in the Corporation's annual proxy statement.

**II. COMPOSITION OF THE COMMITTEE**

The Committee shall consist of two or more independent directors as determined from time to time by the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the OTCQX Rules for U.S. Companies or such other market constituting the principal venue for the trading of the Corporation's shares, and any additional requirements that the Board deems appropriate.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee. Any such determination must be disclosed in the Corporation's annual proxy statement and annual report on Form 10-K.

The chairperson of the Committee shall be designated by the Board, *provided* that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson.

Any vacancy on the Committee shall be filled by majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Board.

Each member of the Committee must be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In



addition, at least one member of the Committee must be designated by the Board to be the "audit committee financial expert," as defined by the SEC pursuant to the Sarbanes-Oxley Act of 2002 (the "Act").

### **III. MEETINGS OF THE COMMITTEE**

The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than once every fiscal quarter. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Committee should meet separately on a periodic basis with (i) management, (ii) the director of the Corporation's internal auditing department or other person responsible for the internal audit function, (iii) the Corporation's independent auditors and (iv) representatives of the law firm that is the Corporation's principal legal advisor with respect to corporate and securities law matters, in each case to discuss any matters that the Committee or any of the above persons or firms believe warrant Committee attention.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee shall maintain minutes of its meetings and records relating to those meetings.

### **IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible, so that it may be in a position to best address, react or respond to changing circumstances or conditions. The following duties and responsibilities are within the authority of the Committee and the Committee shall, consistent with and subject to applicable law and rules and regulations promulgated by the SEC, OTC Markets Group, or any other applicable regulatory authority:

#### ***Selection, Evaluation and Oversight of the Auditors***

(a) Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, and each such registered public accounting firm must report directly to the Committee (the registered public accounting firm engaged for the purpose of preparing or issuing an audit report for inclusion in the Corporation's Annual Report on Form 10-K is referred to herein as the "independent auditors");

(b) Review and, in its sole discretion, approve in advance the Corporation's independent auditors' annual engagement letter, including the proposed fees contained therein, as well as all audit and, as provided in the Act and the SEC rules and regulations promulgated thereunder, all permitted non-audit engagements and relationships between the Corporation and such independent auditors (which approval should be made after

receiving input from the Corporation's management, if desired). Approval of audit and permitted non-audit services will be made by the Committee or by one or more members of the Committee as shall be designated by the Committee and the person[s] granting such approval shall report such approval to the Committee at the next scheduled meeting;

(c) Review the performance of the Corporation's independent auditors, including the lead partner and reviewing partner of the independent auditors, and, in its sole discretion (subject, if applicable, to shareholder ratification), make decisions regarding the replacement or termination of the independent auditors when circumstances warrant;

(d) Obtain at least annually from the Corporation's independent auditors and review a report describing:

- (i) the independent auditors' internal quality-control procedures;
- (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and
- (iii) all relationships between the independent auditors and the Corporation (including a description of each category of services provided by the independent auditors to the Corporation and a list of the fees billed for each such category);

The Committee should present its conclusions with respect to the above matters, as well as its review of the lead partner and the reviewing partner of the independent auditors, and its views on whether there should be a regular rotation of the independent auditors, to the Board.

(e) Evaluate the independence of the Corporation's independent auditors by, among other things:

- (i) monitoring compliance by the Corporation's independent auditors with the audit partner rotation requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder;
- (ii) monitoring compliance by the Corporation of the employee conflict of interest requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder; and
- (iii) engaging in a dialogue with the independent auditors to confirm that audit partner compensation is consistent with applicable SEC rules;

### *Oversight of Annual Audit and Quarterly Reviews*

(f) Review and discuss with the independent auditors their annual audit plan, including the timing and scope of audit activities, and monitor such plan's progress and results during the year;

(g) Review with management, the Corporation's independent auditors and, if any, the director of the Corporation's internal auditing department, the following information which is required to be reported by the independent auditor:

- (i) all critical accounting policies and practices to be used;
- (ii) all alternative treatments of financial information that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;
- (iii) all other material written communications between the independent auditors and management, such as any management letter and any schedule of unadjusted differences; and
- (iv) any material financial arrangements of the Corporation which do not appear on the financial statements of the Corporation;

(h) Review with management, the Corporation's independent auditors and, if appropriate, the director of the Corporation's internal auditing department, the following:

- (i) the Corporation's annual audited financial statements and quarterly financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and any major issues related thereto;
- (ii) major issues regarding accounting principles and financial statements presentations, including any significant changes in the Corporation's selection or application of accounting principles;
- (iii) any analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the Corporation's financial statements; and
- (iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation;

(i) Resolve all disagreements between the Corporation's independent auditors and management regarding financial reporting;

(j) Review on a regular basis with the Corporation's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work, including management's response with respect thereto, any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. In connection therewith, the Committee should review with the independent auditors the following:

- (i) any accounting adjustments that were noted or proposed by the independent auditors but were rejected by management (as immaterial or otherwise);
- (ii) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement; and
- (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Corporation;

***Oversight of the Financial Reporting Process and Internal Controls***

(k) Review:

- (i) the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures on a regular basis, including the responsibilities, budget, compensation and staffing of the Corporation's internal audit function, through inquiry, discussions, periodic meetings with the Corporation's independent auditors, management and, if any, director of the Corporation's internal auditing department;
- (ii) if applicable, the yearly report prepared by management, and attested to by the Corporation's independent auditors, assessing the effectiveness of the Corporation's internal control over financial reporting and stating management's responsibility for establishing and maintaining adequate internal control over financial reporting prior to its inclusion in the Corporation's Annual Report on Form 10-K; and
- (iii) the Committee's level of involvement and interaction with the Corporation's internal audit function, including the Committee's line of authority and role in appointing and compensating employees in the internal audit function;

(l) Review with the Corporation's principal executive officer, chief financial officer and independent auditors, periodically, the following:

- (i) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information; and
  - (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting;
- (m) Discuss guidelines and policies governing the process by which senior management of the Corporation and the relevant departments of the Corporation, including the internal auditing department, assess and manage the Corporation's exposure to risk, as well as the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- (n) Review with management the progress and results of all internal audit projects, and, when deemed necessary or appropriate by the Committee, direct the Corporation's principal executive officer to assign additional internal audit projects to the director of the Corporation's internal auditing department;
- (o) Review with management the Corporation's administrative, operational and accounting internal controls, including any special audit steps adopted in light of the discovery of material control deficiencies;
- (p) Receive periodic reports from the Corporation's independent auditors, management and director of the Corporation's internal auditing department to assess the impact on the Corporation of significant accounting or financial reporting developments that may have a bearing on the Corporation;
- (q) Review and discuss with the independent auditors the results of the year-end audit of the Corporation, including any comments or recommendations of the Corporation's independent auditors and, based on such review and discussions and on such other considerations as it determines appropriate, recommend to the Board whether the Corporation's financial statements should be included in the Annual Report on Form 10-K;
- (r) Establish and maintain free and open means of communication between and among the Committee, the Corporation's independent auditors, the Corporation's internal auditing department and management, including providing such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis;
- (s) Review the type and presentation of information to be included in the Corporation's earnings press releases (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and earnings guidance provided by the Corporation to analysts and rating agencies (which review may be done generally (i.e., discussion of the types of information to be disclosed and type of presentations to be made), and the

Committee need not discuss in advance each earnings release or each instance in which the Corporation may provide earnings guidance);

*Miscellaneous*

(t) Establish clear hiring policies by the Corporation for employees or former employees of the Corporation's independent auditors;

(u) Meet periodically with outside counsel when appropriate, to review legal and regulatory matters, including (i) any matters that may have a material impact on the financial statements of the Corporation and (ii) any matters involving potential or ongoing material violations of law or breaches of fiduciary duty by the Corporation or any of its directors, officers, employees or agents or breaches of fiduciary duty to the Corporation;

(v) Prepare the report required by the rules of the SEC to be included in the Corporation's annual proxy statement;

(w) Review the Corporation's policies relating to the ethical handling of conflicts of interest and review past or proposed transactions between the Corporation and members of management as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors;

(x) Review and approve in advance any services provided by the Corporation's independent auditors to the Corporation's executive officers or members of their immediate family;

(y) Review the Corporation's program to monitor compliance with the Corporation's Code of and Ethics, and meet periodically with the Corporation's Compliance Officer to discuss compliance with the Code of Ethics;

(z) Establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(aa) Establish procedures for the receipt, retention and treatment of reports of evidence of a material violation made by attorneys appearing and practicing before the SEC in the representation of the Corporation or any of its subsidiaries, or reports made by the Corporation's principal executive officer or general counsel in relation thereto;

(bb) Secure independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, independent counsel, accountants, consultants or others, to assist the Committee in fulfilling its duties

and responsibilities, the cost of such independent expert advisors to be borne by the Corporation;

(cc) Report regularly to the Board on its activities, as appropriate. In connection therewith, the Committee should review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditors, or the performance of the internal audit function; and

(dd) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

## **V. EVALUATION OF THE COMMITTEE**

The Committee shall, on an annual basis and in coordination with the Governance and Nominations Committee, evaluate its performance. The evaluation shall address all matters that the Committee considers relevant to its performance, including a review and assessment of the adequacy of this Charter, and shall be conducted in such manner as the Committee deems appropriate.

The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter.

## **VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Corporation's expense, such independent counsel or other consultants or advisers as it deems necessary.

\* \* \*

While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for preparing or certifying the financial statements, for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Corporation, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee, in either instance absent actual knowledge to the contrary.

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under applicable federal or state law.

Adopted by the Board of Directors on August 14, 2019

\* \* \*



**CERTIFICATE OF THE COMPANY**

Dated: April 7, 2022

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of the Province of Ontario.

*(signed) "Robert Fireman"*

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Robert Fireman  
President, Chief Executive Officer and Director

*(signed) "Jon R. Levine"*

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Jon R. Levine  
Chief Financial Officer

**On behalf of the Board of Directors**

*(signed) "David Allen"*

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David Allen  
Director

*(signed) "Edward Gildea"*

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Edward Gildea  
Director