



MARIMED INC.

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2022 ANNUAL MEETING  
NOTICE & PROXY STATEMENT  
&  
2021 ANNUAL REPORT

Dear Friends and Shareholders,

I am pleased to report that MariMed is on course for another year of record revenue and earnings in 2022. In fact, Q2 2022 marked the 10th consecutive quarter we reported positive Non-GAAP Adjusted EBITDA growth! We are achieving some of the strongest financial results in the cannabis industry despite challenging headwinds facing the entire industry, including post-Covid inflation, regulatory delays, and oversupply of product and price compaction in many markets.

We view 2022 as a foundational year for the Company. Following our strategic growth plan, we have achieved milestones and have developed assets in 2022 with firm plans for additional expansion to position ourselves for accelerated long-term revenue and profit growth in 2023 and beyond. We continue to differentiate MariMed from other MSOs by organically developing these assets with our trained staff, our propriety systems, our technologies, and our methods. We estimate that by optimizing these standalone assets, the Company can generate over \$350 million in annual revenue over time.

The acquisition of Kind Therapeutics USA in April 2022 was a major milestone in our strategic plan to consolidate the businesses we developed as consultants into MariMed. We now report all the cannabis revenue from our wholly owned subsidiaries in Maryland, Massachusetts, and Illinois in our public filings.

We are extremely bullish on the cannabis market in the state of Maryland. Our newly expanded and upgraded kitchen in Hagerstown will produce all of our branded products for the state's 100+ operating dispensaries. We have plans to expand the capacity of this facility with an additional 60,000 sq. ft. of cultivation and production upgrades. We anticipate opening our Panacea-branded medical dispensary in Anne Arundel County by Q4 2022. We are well-positioned to seize the opportunity that will come with adult use sales of cannabis in Maryland when approved. A ballot referendum is expected to pass in November 2022.

In Massachusetts, we anticipate opening our second adult-use Panacea dispensary in Beverly in the coming months. We have high expectations for this location. The Beverly dispensary is easily accessed by two major roadways and should attract heavy local and tourist consumer traffic. We are working to acquire and open a third dispensary in the state. We have plans to add 70,000 sq. ft. of cultivation and production capacity that will more than double our available inventory of cannabis flower and products. We have also implemented several new strategies to increase revenue, including new marketing campaigns, a customer loyalty program, new and expanded store hours, and additional promotions.

In Illinois, we acquired a craft grow and production license that will result in our being vertically integrated. We purchased a 40,000 square foot building in Mt. Vernon in June 2022, which we are developing as a state-of-the-art cultivation and processing facility. At this facility, which we expect to open in 2023, we will grow our award-winning *Nature's Heritage* cannabis flower and produce all our branded concentrates and infused products. Our *Betty's Eddies* full-spectrum fruit chews were a top-selling edible in Illinois until we stopped distributing there in 2019, and consumers have been eagerly awaiting the brand's return. Our manufacturing facility will supply and improve our margins in these stores while allowing us to also distribute our brands in the wholesale cannabis marketplace. The Illinois adult-use program is anticipated to expand to over 300 dispensaries. MariMed's four high performing *Thrive* dispensaries operate in southern Illinois. State regulations allow MariMed to own up to 10 dispensaries in Illinois. We announced in August 2022 the acquisition of a fifth adult-use dispensary license, for a store we project to open in Q1 2023, and we are focused on adding up to five more dispensaries as soon as possible.

We see great opportunity in many other high-growth legal cannabis markets. In Ohio, which is the seventh most populous state, we began development of a new medical dispensary in Tiffin with a license we were awarded in the state lottery. We plan to open the dispensary in early 2023. We are also looking to develop cannabis licenses in Connecticut, New Jersey, New York, and beyond.

We are expanding the licensing of our award-winning brands into additional states. During the first half of 2022, we completed a licensing partnership to produce and distribute our *Betty's Eddies* fruit chews in Maine's adult-use cannabis market, which complements our existing deal to sell *Betty's Eddies* in the Maine medical market. Maine is an under-appreciated cannabis market as it attracts millions of visitors every year.

We recently announced a licensing agreement with a Michigan manufacturer and distributor that sells into approximately 340 dispensaries. We also announced an agreement that will allow us to market our brands in Missouri. Missouri is a fast-growing medical cannabis market, with approximately 200 dispensaries and projected sales of \$400 million in 2023. There is also an adult-use referendum on this November's ballot.

We remain committed to innovation and developing new and better products. Over the summer, we launched Betty's Eddie's infused ice cream in partnership with the ice cream magicians at Emack & Bolio's®. It is the best-tasting ice cream I've ever had, and the consumer response has been terrific. The same can be said for *Nature's Heritage* LIVE Flower, our latest flower innovation. Deploying a proprietary curing process called FreshCure, *Nature's Heritage* LIVE Flower involves freeze-drying our flower as soon as it is trimmed, delivering the freshest, most colorful, flavorful, and smoothest smoking cannabis available. Additionally, MariMed is upgrading to more automated and efficient manufacturing equipment that will improve the quality, quantity, and profitability of our products in all our state locations, without sacrificing our hands-on love of the plant.

With the completion of our dual listing on the Canadian Securities Exchange (CSE), we have increased liquidity in our shares and provided easier access to retail investors in Canada, as well as institutional investors throughout North America. We have already seen the benefit of this dual listing with new institutional investors taking equity positions in MariMed.

Over the last two years our financial performance has established credibility among investors and industry analysts. We are financially solid and poised for continued long-term growth and success. Our validated management team will continue to operate in an efficient and financially disciplined manner. That is what has fueled our profitability, generated our positive cash flow, and enabled us to have essentially no debt and a solid balance sheet with the ability to raise capital. MariMed's financial success is a testament to the amazing products we create, our great dispensary operations, and the culture we have created with our people and organization.

We are optimistic as ever in our future as we plan to have another breakout year in 2023. We will continue to put the pedal to the metal and grow our Company to be the leader in the cannabis industry.

We appreciate all of you for your support and look forward to sharing further details at the annual meeting.

Sincerely,

*/s/ "Robert Fireman"*

Robert Fireman  
Chief Executive Officer

#### Important Caution Regarding Forward Looking Statements

This document contains certain forward-looking statements and information relating to MariMed Inc. that is based on the beliefs of MariMed Inc.'s management, as well as assumptions made by and information currently available to the Company. Such statements reflect the current views of the Company with respect to future events including estimates and projections about its business based on certain assumptions of its management, including those described in this document. These statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict, including, among other factors, changes in demand for the Company's services and products, changes in the law and its enforcement and changes in the economic environment. Additional risk factors are included in the Company's public filings with the SEC. Should one or more of these underlying assumptions prove incorrect, actual results may vary materially from those described herein as "hoped," "anticipated," "believed," "planned," "estimated," "preparing," "potential," "expected," "looks" or words of a similar nature. The Company does not intend to update these forward-looking statements. None of the content of any of the websites referred to herein (even if a link is provided for your convenience) is incorporated into this document and the Company assumes no responsibility for any of such content.

**MARIMED INC.  
10 Oceana Way  
Norwood, MA 02062**

**Notice of Annual Meeting of Stockholders  
To be held on October 27, 2022**

September 23, 2022

To our Stockholders:

You are invited to attend the 2022 Annual Meeting of Stockholders of MariMed Inc. at 10:00 a.m. Eastern Daylight Time on October 27, 2022 at the Hilton Boston/Dedham Hotel located at 25 Allied Drive, Dedham, Massachusetts 02026.

The Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented at the meeting.

It is important that your shares be represented at this meeting to ensure the presence of a quorum. Whether or not you plan to attend the meeting in person, we urge you to submit your vote via the internet, by telephone or by signing, dating and returning your proxy in the enclosed envelope, which requires no postage if mailed in the United States, as soon as possible. Your shares will be voted in accordance with the instructions you provide.

Thank you for your continued support.

Sincerely,

*/s/ "Robert Fireman"*

Robert Fireman  
*Chairman and Chief Executive Officer*

**MARIMED INC.  
10 Oceana Way  
Norwood, MA 02062**

**Notice of Annual Meeting of Stockholders  
To be held on October 27, 2022**

The Annual Meeting of Stockholders of MariMed Inc. (the "*Company*") will be held at the Hilton Boston/Dedham Hotel located at 25 Allied Drive, Dedham, Massachusetts 02026, on Thursday, October 27, 2022 at 10:00 a.m. Eastern Daylight Time for the purpose of considering and acting upon the following:

1. The election of five (5) Directors to serve until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;
2. The advisory approval of the appointment of M&K CPAs PLLC as the Company's independent auditors for the fiscal year ending December 31, 2022; and
5. The transaction of such other business as may properly come before the meeting and any adjournment or adjournments thereof.

Holders of the Company's outstanding shares of common stock of record at the close of business on September 7, 2022 are entitled to notice of and to vote at the meeting, or any adjournment or adjournments thereof. A complete list of such stockholders will be available for examination by any stockholder at the meeting.

By order of the Board of Directors

*/s/ "Robert Fireman"*

Robert Fireman  
*Chairman and Chief Executive Officer*

Norwood, Massachusetts  
September 23, 2022

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, WE URGE YOU TO SUBMIT YOUR VOTE VIA THE INTERNET, TELEPHONE OR MAIL AS SOON AS POSSIBLE SO THAT YOUR SHARES CAN BE VOTED AT THE ANNUAL MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOUR SHARES ARE REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH PROXY CARD SHOULD BE SIGNED AND RETURNED TO ENSURE THAT ALL OF YOUR SHARES WILL BE VOTED.**

**We appreciate your giving this matter your prompt attention.**

**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS  
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 27, 2022**

**The Proxy Materials for the Annual Meeting, including the Annual Report and the Proxy Statement, are also available at [www.proxyvote.com](http://www.proxyvote.com)**

MARIMED INC.  
10 Oceana Way  
Norwood, MA 02062

## PROXY STATEMENT

### FOR ANNUAL MEETING OF STOCKHOLDERS To be held on October 27, 2022

Proxies in the form enclosed with this Proxy Statement are solicited by the Board of Directors (the “*Board*”) of MariMed Inc. (the “*Company*,” “*we*,” “*us*,” “*our*,” or any derivative thereof) to be used at the Annual Meeting of Stockholders (the “*Annual Meeting*”) to be held at the Hilton Boston/Dedham Hotel located at 25 Allied Drive, Dedham, Massachusetts 02026, on Thursday, October 27, 2022 at 10:00 a.m. Eastern Daylight Time for the purposes set forth in the Notice of Meeting and this Proxy Statement. The Company’s principal executive offices are located at 10 Oceana Way, Norwood, Massachusetts 02062. The approximate date on which this Proxy Statement, the accompanying Proxy and the Company’s Annual Report for the year ended December 31, 2021 (“*Annual Report*”) will be mailed to stockholders is September 23, 2022.

### IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 27, 2022

The Proxy Materials for the Annual Meeting, including the Annual Report and the Proxy Statement, are also available at [www.proxyvote.com](http://www.proxyvote.com)

## THE VOTING AND VOTE REQUIRED

### Record Date and Quorum

Only stockholders of record at the close of business on September 7, 2022 (the “*Record Date*”) are entitled to notice of and to vote at the Annual Meeting. On the Record Date, we had 338,738,994 shares of common stock, par value \$0.001 per share (“*Common Shares*”) outstanding, 4,908,333 shares of Series B Convertible Preferred Stock, par value \$0.001 per share (“*Series B Preferred Shares*”) outstanding and 6,216,216 shares Series C Convertible Preferred Stock, par value \$0.001 per share (“*Series C Preferred Shares*”) outstanding. Each Common Share is entitled to one vote, each Series B Preferred Share is entitled to the number of votes equal to the number of whole Common Shares into which the Series B Preferred Shares are convertible as of the Record Date and the Series C Preferred Shares are non-voting shares. As of the Record Date, each Series B Preferred Share is convertible into one Common Share and therefore entitled to one vote. The Common Shares and the Series B Preferred Shares (collectively, the “*Shares*”) will vote together as a single class on the matters to be voted on at this Annual Meeting. In the aggregate, 343,647,327 votes may be cast at the Annual Meeting. Shares represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted as specified. A quorum will be present at the Annual Meeting if stockholders owning a majority of the Shares outstanding on the Record Date are present at the meeting in person or by proxy.

### Voting of Proxies

The persons acting as proxies (the “*Proxyholders*”) pursuant to the enclosed proxy will vote the Shares represented as directed in the signed proxy. Unless otherwise directed in the proxy, the Proxyholders will vote the Shares represented by the proxy: (i) for the election of the director nominees named in this Proxy Statement; (ii) for the advisory approval of the appointment of M&K CPAs PLLC as the Company’s independent auditors for the year ending December 31, 2022 (the “*Approval of Auditors*”) and (iii) in their discretion, on any other business that may come before the Annual Meeting and at any adjournments of the Annual Meeting.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. All shares represented by valid proxies will be voted in accordance with the instructions contained therein. In the absence of instructions, proxies will be voted FOR

each of the stated matters being voted on at the Annual Meeting. A proxy may be revoked by the stockholder giving the proxy at any time before it is voted, by written notice addressed to and received by the Secretary of the Company or Secretary of the meeting, and a prior proxy is automatically revoked by a stockholder giving a subsequent proxy or attending and voting at the Annual Meeting. Attendance at the Annual Meeting, however, in and of itself does not revoke a prior proxy. In the case of the election of directors, Shares represented by a proxy which is marked "WITHHOLD ALL" to vote for all director nominees will not be counted in determining whether a plurality vote has been received for the election of directors. Shares represented by proxies that are marked "ABSTAIN" on the Approval of Auditors or any other proposal will not be counted in determining whether the requisite vote has been received for such proposal. However, Shares represented by proxies which are marked "WITHHOLD ALL" or "ABSTAIN" will be counted for quorum purposes.

#### Broker Non-Votes

A broker non-vote occurs when Shares held by a broker are not voted with respect to a particular proposal because the broker does not have discretionary authority to vote on the matter and has not received voting instructions from its clients ("*broker non-votes*"). If your broker holds your Shares in its name and you do not instruct your broker how to vote, your broker will only have discretion to vote your Shares on "routine" matters. Where a proposal is not "routine," a broker who has not received instructions from its clients does not have discretion to vote its clients' uninstructed Shares on that proposal. At the Annual Meeting, only the Approval of Auditors (Proposal No. 2) is considered a routine matter. All other proposals are considered "non-routine," and your broker will not have discretion to vote on those proposals. Broker non-votes will, however, be counted towards determining whether or not a quorum is present.

#### Voting Requirements

Election of Directors. The election of the five director nominees will require the affirmative vote of a plurality of the votes cast by the holders of Shares present in person or represented by proxy to elect each nominee. Election by a plurality means that the director nominee with the most votes for a particular Board seat is elected for that seat.

Advisory Approval of the Appointment of Independent Auditors. The affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote at the Annual Meeting is required for the advisory approval of the appointment of M&K CPAs PLLC as the Company's independent auditors for the fiscal year ending December 31, 2022. An abstention from voting on approval of auditors will be treated as "present" for quorum purposes. However, since an abstention is not treated as a "vote" for or against the matter, it will have no effect on the outcome of the vote on this matter.

### **Proposal No. 1 ELECTION OF DIRECTORS**

Five directors are to be elected at the Annual Meeting. All directors hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified.

It is intended that votes pursuant to the enclosed proxy will be cast for the election of the five nominees named below. In the event that any such nominee should become unable or unwilling to serve as a director, the Proxyholder will vote for the election of an alternate candidate, if any, as shall be designated by the Board. The Board has no reason to believe these nominees will be unable to serve if elected. Each nominee has consented to being named in this Proxy Statement and to serve if elected. All nominees are currently members of our Board. There are no family relationships among any of the executive officers, directors or director nominees of the Company.

Our director nominees and their respective ages are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert Fireman	74	Chief Executive Officer and Chairman of the Board
Jon R. Levine	57	President, Treasurer, Secretary and Director

Eva Selhub, M.D. <sup>(4)(5)</sup>	54	Director
David Allen <sup>(1)(5)</sup>	67	Director
Edward Gildea <sup>(2)(3)</sup>	71	Director

- 
- (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.

Set forth below is a brief description of the background and business experience of our director nominees:

**Robert Fireman** has served as our chief executive officer since 2017, our chairman of the board since 2018, and has been a director since our formation. Until September 2022, Mr. Fireman also served as our president. Mr. Fireman is a seasoned executive and an early pioneer and visionary in the cannabis industry. Under his leadership, we have applied for and been awarded legal cannabis licenses in multiple states and have overseen the development of state of the art, regulatory compliant cannabis cultivation, production, and retail facilities. 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 that was sold to News America Marketing, a division of News Corp. Mr. Fireman has been a practicing attorney for over 30 years. Mr. Fireman’s legal acumen and entrepreneurial experience in diverse industries serve as tremendous assets in navigating our company through the complex, regulated emerging cannabis industry. In addition, he draws on his experience in direct marketing and loyalty programs, identity security, hydroponic farming, medical billing, and many other consumer facing applications to benefit the challenges and issues facing our growth and success. Mr. Fireman’s experience in the emerging cannabis industry and his professional background makes him well-qualified to serve as a director and Chairman of the Board.

**Jon R. Levine** has served as our president since September 2022, and our treasurer, secretary and a director since 2016. In September 2022, he was promoted to president from his position as chief administrative officer. Prior to that, in May 2022, he was promoted to the position of chief administrative officer from his position as chief financial officer. Mr. Levine has over ten years of experience in the cannabis industry. He possesses over 20 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, in the leasing industry with AT&T Financial Services, and with New Court Financial as a senior credit officer. 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.** 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** has been a director since June 2019. He brings over 24 years of experience as a director, CEO and CFO of public companies. Since July 2021 he has been serving as Chief Financial Officer of Iconic Brands, Inc. (Iconic), a company specializing in the development, sale and distribution of alcoholic and non-alcoholic beverages. Prior to that, from June 2021 to November 2021, Mr. Allen served as audit committee chair of Charlie’s Holdings, Inc. (Charlie’s) (formerly known as True Drinks Holdings, Inc.), a company focused on the development, marketing and



distribution of nicotine-based vapor products; from April 2019 to June 2021, Mr. Allen served as Chief Financial Officer of Charlie's; from February 2018 to April 2019, he acted as a consultant to Iconic; from December 2014 to January 2018, Mr. Allen served as the Chief Financial Officer of WPCS International, Inc., an engineering firm focused on the deployment of communications networks; and 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 Associate 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 allows him to make valuable contributions to the Board.

**Edward Gildea** has been a director since our formation. Mr. Gildea is currently a partner in the law firm Fisher Broyles LLP, a position he has held since 2014. 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 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. Mr. Gildea contributes expertise in the areas of mergers & acquisitions, strategic planning, funding, business development, and executive leadership.

**The Board recommends a vote FOR the election of each of the director nominees and proxies that are signed and returned will be so voted unless otherwise instructed.**

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#### EXECUTIVE OFFICERS

The following table identifies our current executive officers:

Name	Age	Capacity in Which Served	In Current Position Since
Robert Fireman <sup>(1)</sup>	74	Chief Executive Officer and Chairman of the Board	2017
Jon R. Levine <sup>(1)</sup>	57	President <sup>(2)</sup> , Treasurer, Secretary and Director	2017
Susan M. Villare	53	Chief Financial Officer	May 2022
Timothy Shaw	43	Chief Operating Officer	July 2021

(1) Biographical information with respect to Messrs. Fireman and Levine is provided above.

(2) Mr. Levine was appointed as president on September 7, 2022.

Set forth below is a brief description of the background and business experience of Ms. Villare and Mr. Shaw:

**Susan M. Villare**, has served as our chief financial officer since May 2022. Prior to joining our company, she served as the Senior Vice President of Financial Planning and Analysis and Treasurer of Ribbon Communications, Inc. ("*Ribbon*"), a global provider of real time communications technology and IP optical networking solutions, from February 2012 through April 2022. Prior to Ribbon, Ms. Villare held senior leadership positions in the Finance departments of BigBand Networks, Inc., Burst Media and MatrixOne, Inc. Before her in-house career, Ms. Villare was a senior auditor at Pricewaterhouse and is a certified public accountant. She holds a Bachelor of Science in Accounting from Boston College.

**Timothy 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, having served for eight years, including four years of active duty.

## **Code of Ethics**

We have adopted a code of ethic (the "*Code of Ethics*") that applies to our Board, executive officers and employees. A copy of the Code of Ethics was filed as Exhibit 14.1 to a previous annual report and is posted on our website at <https://marimedinc.com/>. The Code of Ethics was designed with the intent to deter wrongdoing, and to promote the following:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the U.S. Securities and Exchange Commission ("*SEC*") and in other public communications we make;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

## **Director Independence**

The Board has determined that Messrs. Gildea and Allen, and Dr. Selhub are independent and represent a majority of its members. In determining director independence, the Board applies the independence standards set by the Nasdaq Stock Market ("*NASDAQ*"). In applying these standards, our Board considers all transactions with the independent directors and the impact of such transactions, if any, on any of the independent directors' ability to continue to serve on the Board.

## **Board Committees**

The Board has three standing committees: an audit committee (the "*Audit Committee*"), a compensation committee (the "*Compensation Committee*") and a nominating and corporate governance committee (the "*Nominating and Corporate Governance Committee*"). Each committee is made up entirely of independent directors as defined under section 5605(a)(2) of the NASDAQ rules. The members of the Audit Committee are Messrs. Allen and Gildea. Mr. Allen is also the chairman of the Audit Committee and qualifies as the "audit committee financial expert" pursuant to Item 407(d)(5) of Regulation S-K. The members of the Compensation Committee are Mr. Gildea and Dr. Selhub, and the members of the Nominating and Corporate Governance Committee are Messrs. Allen and Gildea and Dr. Selhub. Mr. Gildea is the chairman of both of these committees.

The Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee, have the responsibilities described below.

### *Audit Committee*

The Audit Committee oversees our accounting and financial reporting processes, internal systems of accounting and financial controls, relationships with auditors and audits of financial statements. Specifically, the Audit Committee's responsibilities include the following:

- selecting, hiring and terminating our independent auditors;
- evaluating the qualifications, independence and performance of our independent auditors;
- approving the audit and non-audit services to be performed by the independent auditors;

- reviewing the design, implementation and adequacy and effectiveness of our internal controls and critical policies;
- overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and other accounting matters;
- with management and our independent auditors, reviewing any earnings announcements and other public announcements regarding our results of operations; and
- preparing the report that the SEC requires in our annual proxy statement.

A copy of the Audit Committee charter is available on our website at <https://marimedinc.com/>.

#### Compensation Committee

The Compensation Committee assists the Board in determining the compensation of our officers and directors. The Compensation Committee is comprised entirely of directors who satisfy the standards of independence applicable to Compensation Committee members established under 162(m) of the Internal Revenue Code of 1986, as amended, and Section 16(b) of the Securities and Exchange Act of 1934, as amended (the “*Exchange Act*”). Specific responsibilities include the following:

- approving the compensation and benefits of our executive officers;
- reviewing the performance objectives and actual performance of our officers; and
- administering our stock option and other equity and incentive compensation plans.

#### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee assists the Board by identifying and recommending individuals qualified to become members of the Board. Specific responsibilities include the following:

- evaluating the composition, size and governance of our Board and its committees and making recommendations regarding future planning and the appointment of directors to our committees;
- establishing a policy for considering stockholder nominees to our Board;
- reviewing our corporate governance principles and making recommendations to the Board regarding possible changes; and
- reviewing and monitoring compliance with our Code of Ethics and Insider Trading Policy.

#### Meeting Attendance

During fiscal year 2021, the Board held four (4) meetings, all of which were regular meetings. All directors attended or participated in at least 75% of the aggregate number of meetings of the Board and of the Board’s committees on which each applicable director served. It is our policy to encourage directors to attend the Annual Meeting. All of the director nominees attended our 2021 annual meeting of stockholders.

#### **Audit Committee Report**

The Audit Committee oversees our financial reporting process on behalf of the Board. The Audit Committee consists of two (2) members of the Board who meet the independence and experience requirements of NASDAQ and the SEC.

The Audit Committee retained M&K CPAs PLLC (“*M&K*”), our independent registered public accounting firm, and approves in advance all permissible non-audit services performed by them and other auditing firms. Although

management has the primary responsibility for the financial statements and the reporting process including the systems of internal control, the Audit Committee consulted with management and M&K regarding the preparation of financial statements, the adoption and disclosure of our critical accounting estimates, and generally oversees our relationship with M&K.

The Audit Committee reviewed our audited financial statements for the year ended December 31, 2021 and met with management to discuss such audited financial statements. The Audit Committee has discussed with M&K the matters required to be discussed pursuant to applicable auditing standards. The Audit Committee has received the written disclosures and the letter from M&K required by the Public Company Accountant Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with M&K its independence from us and our management. M&K had full and free access to the Audit Committee. Based on its review and discussions, the Audit Committee recommended that our audited financial statements for the year ended December 31, 2021 be included in our Annual Report on Form 10-K for the year then ended as filed with the SEC.

AUDIT COMMITTEE:

David Allen  
Edward Gildea

*The above report is not deemed to be "soliciting material," and is not deemed to be "filed" with the SEC.*

### **Board Nominations**

The Nominating and Corporate Governance Committee, is responsible for nominating director candidates for the annual meeting of stockholders each year and considered director candidates recommended by stockholders. In considering candidates submitted by stockholders, the Nominating and Corporate Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating and Corporate Governance Committee may also take into consideration the number of Shares held by the recommending stockholder and the length of time that such shares have been held.

To have a candidate considered by the Nominating and Corporate Governance Committee for recommendation to the Board for nomination as a director candidate, a stockholder must submit the recommendation in writing and must include the following information: (i) the name of the stockholder and evidence of the person's ownership of Shares (including the number of Shares owned and the length of time of ownership); (ii) the name of the candidate; (iii) the candidate's resume or a listing of his or her qualifications to be a director of the Company; and (iv) the person's consent to be named as a director if selected and nominated by the Board.

The information described above must be sent to the Company's Secretary at 10 Oceana Way, Norwood, Massachusetts 02062, on a timely basis in order to be considered by the Nominating and Corporate Governance Committee, within the time period prescribed by Rule 14a-8 under the Exchange Act.

### **Disclosure of Director Qualifications**

The Board is responsible for assembling for stockholder consideration a group of nominees that, taken together, have the experience, qualifications, attributes, and skills appropriate for functioning effectively as a Board.

The Board believes that the minimum qualifications for service as a director are that a nominee possess an ability, as demonstrated by recognized success in his or her field, to make meaningful contributions to the Board's oversight of the business and affairs of the Company and an impeccable reputation of integrity and competence in his or her personal or professional activities. The Board's criteria for evaluating potential candidates include the following: (i) an understanding of the Company's business environment, (ii) the possession of such knowledge, skills, expertise and diversity of experience that would enhance the Board's ability to manage and direct the affairs and business of the Company, and (iii) certain characteristics common to all Board members, including integrity, strong professional reputation and record of achievement, constructive and collegial personal attributes, and the ability and commitment to devote sufficient time and energy to Board service.

In addition, the Board seeks to include on the Board a complementary mix of individuals with diverse backgrounds and skills reflecting the broad set of challenges that the Board confronts.

### **Board Leadership Structure**

Robert Fireman has served as chairman of the board and chief executive officer since July 2017. According to our By-Laws the roles of chairman of the board and chief executive officer are held by the same person. Our Board regularly evaluates our leadership structure and determines the most appropriate structure based upon its assessment of our position, strategy, and our long-term plans. The Board also considers the specific circumstances we face and the characteristics and membership of the Board. At this time, the Board has determined that having Robert Fireman serve as both the chairman of the board and chief executive officer is in the best interest of our stockholders. We believe this structure makes the best use of the chief executive officer's extensive knowledge of our business and personnel, our strategic initiatives and our industry, and also fosters real-time communication between management and the Board.

### **The Board's Oversight of Risk Management**

The Board recognizes that all companies face a variety of risks, including credit risk, liquidity risk, strategic risk, and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that we face, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board committee, (3) implement appropriate and responsive risk management strategies consistent with our risk profile, and (4) integrate risk management into our decision-making. The Board encourages, and management promotes, a corporate culture that incorporates risk management into our corporate strategy and day-to-day business operations. The Board also continually works, with the input of our management and executive officers, to assess and analyze the most likely areas of future risk for us.

### **Communications with Directors**

The Board has established a process to receive communications from stockholders. Stockholders and other interested parties may contact any member (or all members) of the Board, or the non-management directors as a group, by mail or electronically. To communicate with the Board, any individual director or any group of directors, correspondence should be addressed to the Board or any such individual directors or group of directors by either name or title. All such correspondence should be sent to c/o Secretary, MariMed Inc., 10 Oceana Way, Norwood, Massachusetts 02062.

All communications received as set forth in the preceding paragraph will be opened by the Secretary of the Company for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board, will be forwarded promptly to the addressee. In the case of communications to the Board or any group of directors, the Secretary will make sufficient copies of the contents to send to each director who is a member of the group to which the envelope or e-mail is addressed.

## COMPENSATION OF DIRECTORS

The compensation package for each of the three non-employee members of the Board is comprised of an annual grant of stock options to purchase up to 100,000 Common Shares with a five-year term at an exercise price equal to the fair value the Common Shares on the grant date, and cash compensation of \$6,250 per quarter.

The following table sets forth information concerning the compensation paid to each of to the Company's non-employee directors during 2021 for their services rendered as directors.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total (\$)
Eva Selhub, M.D. <sup>(1)</sup>	\$ 25,000	\$ -	\$ 60,890	\$ 85,890
David Allen <sup>(2)</sup>	\$ 25,000	\$ -	\$ 60,890	\$ 85,890
Edward Gildea <sup>(3)</sup>	\$ 25,000	\$ -	\$ 60,890	\$ 85,890

(1) Dr. Selhub held 200,000 stock options at December 31, 2021.

(2) Mr. Allen held 200,000 stock options at December 31, 2021.

(3) Mr. Gildea held 300,000 stock options at December 31, 2021.

## EXECUTIVE COMPENSATION

The following table sets forth the compensation paid by us during the fiscal periods ending December 31, 2021 and 2020, to our Chief Executive Officer and other most highly compensated executive officers whose compensation exceeded \$100,000 for the year ended December 31, 2021. (the "Named Executives").

### SUMMARY COMPENSATION TABLE<sup>(1)(2)</sup>

Name and principal position	Year	Salary	Bonus	Stock Awards <sup>(3)</sup>	Option Awards <sup>(4)</sup>	All Other Compensa- tion	Total
Robert Fireman Chief Executive Officer	2021	\$250,192	\$ -	\$ 23,000	\$6,253,226	\$ -	\$6,526,418
	2020	\$ 31,846	\$ -	\$ -	\$ -	\$ -	\$ 31,486
Jon R. Levine President (5)	2021	\$237,981	\$ -	\$ 23,000	\$6,253,226	\$ -	\$6,514,207
	2020	\$ 37,846	\$ -	\$ -	\$ -	\$ -	\$ 37,486
Timothy Shaw Chief Operating Officer	2021	\$223,269	\$ -	\$ -	\$1,563,307	\$ -	\$1,786,576
	2020	\$158,139	\$1,751	\$ -	\$ 5,967	\$ -	\$ 165,857

(1) The compensation reported in the Table does not include other personal benefits, the total values of which do not exceed \$10,000.

(2) Pursuant to the regulations promulgated by the SEC, the Table omits columns reserved for types of compensation not applicable to us.

(3) Amounts represent the fair value of stock awards valued on grant date and recognized over the vesting period for financial reporting purposes.

(4) Amounts represent the fair value of option awards valued on grant date using the Black-Scholes pricing model and recognized over the vesting period for financial reporting purposes.

(5) Mr. Levine was appointed as president on September 7, 2022.

### Employment Agreements

On July 9, 2021, we 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 "Levine Employment Agreement") and Timothy Shaw (the "Shaw Employment Agreement"). In May 2022, the Levine Employment Agreement was amended to change his title from Chief Financial Officer to Chief Administrative Officer. On September

7, 2022, the Levine Employment Agreement was amended to change his title from Chief Administrative Officer to President.

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 the date of grant, subject to vesting, on the date that the Company’s stockholders approve the Plan Amendment; 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, as amended to date, is that of President 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 Option Grants

The following table sets forth information as of December 31, 2021, concerning unexercised options, unvested stock and equity incentive plan awards for the Named Executives.

### OUTSTANDING EQUITY AWARDS AT YEAR-ENDED DECEMBER 31, 2021

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards:	Option Exercise Price (\$)	Option Expiration Date
			Number of Securities Underlying Unexercised Options (#)		
Robert Fireman	2,500,000	2,500,000	-	\$ 0.90	10/01/26
Robert Fireman	2,500,000	2,500,000	-	\$ 0.88	07/09/26
Jon R. Levine	2,500,000	2,500,000	-	\$ 0.90	10/01/26
Jon R. Levine	2,500,000	2,500,000	-	\$ 0.88	07/09/26
Timothy Shaw	625,000	625,000	-	\$ 0.90	10/01/26
Timothy Shaw	625,000	625,000	-	\$ 0.88	07/09/26
Timothy Shaw	50,000	-	-	\$ 0.30	03/31/25

### Company Equity Compensation Plans

The following table sets forth information as of December 31, 2021 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders <sup>(1)</sup>	39,821,671	\$ 0.91	28,618,664
Equity compensation plans not approved by stockholders	-	\$ -	-
Total	39,821,671	\$ 0.91	28,618,664

(1) Consists of options exercisable for (i) 39,821,671 shares granted under the Incentive Plan (hereinafter defined) of which 3,456,250 shares continue to be subject to the terms of the Company's 2018 Stock Award and Incentive Plan.

The Company's Amended and Restated 2018 Stock Award and Incentive Plan (the "*Incentive Plan*") provides incentives for the achievement of important performance objectives and promotes the long-term success of the Company. In September 2019, the Company's stockholders approved the Incentive Plan. In September 2021, the stockholders approved an amendment to the Incentive Plan, increasing the aggregate number of shares reserved for issuance from 40,000,000 to 70,000,000.



The Incentive Plan is an omnibus plan, authorizing a variety of equity award types as well as cash and long-term incentive awards. Each award under the Incentive Plan is subject to the Company's clawback policy in effect at the time of grant of the award. Shares actually delivered in connection with an award will be counted against the aggregate number of reserved shares. Shares will remain available for new awards if an award under the Incentive Plan expires, is forfeited, canceled, or otherwise terminated without delivery of shares or is settled in cash. Each award under the Incentive Plan is subject to the Company's clawback policy in effect at the time of grant of the award.

The Board may amend, suspend, discontinue, or terminate the Incentive Plan or the authority to grant awards thereunder without stockholder approval, except as required by law or regulation or under rules of the stock exchange, if any, on which the Company's stock may then be listed. Unless earlier terminated, the granting of awards under the Incentive Plan will terminate ten years after stockholder approval of the Incentive Plan, and the Incentive Plan will terminate when no shares remain available and the Company has no further obligation with respect to any outstanding award.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Under Section 16(a) of the Exchange Act, all executive officers, directors, and each person who is the beneficial owner of more than 10% of the outstanding shares of a company that files reports pursuant to Section 12 of the Exchange Act, are required to report the ownership of such shares, options, and stock appreciation rights (other than certain cash-only rights) and any changes in that ownership with the SEC. Specific due dates for these reports have been established, and we are required to report, in this Proxy Statement, any failure to comply therewith during the fiscal year ended December 31, 2021.

Other than as set forth in the Delinquent Section 16(a) Reports section below, we believe that all of these filing requirements were satisfied by the Company's executive officers, directors and by the beneficial owners of more than 10% of our Common Shares. In making this statement, we have relied solely on copies of any reporting forms received by us, and upon any written representations received from reporting persons that no Form 5 (Annual Statement of Changes in Beneficial Ownership) was required to be filed under applicable rules of the Commission.

#### *Delinquent Section 16(a) Reports*

Each of Robert Fireman and Jon Levine was not timely in the filing of one Form 4 during the fiscal year ended December 31, 2021 relating to options exercised in December 2021.

### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Effective July 1, 2021, we entered into the Fireman Employment Agreement, the Levine Employment Agreement and the Shaw Employment Agreement, all as described hereinabove.

In July 2021, we granted five-year options to purchase up to 100,000 Common Shares to each of our three independent board members at an exercise price of \$0.88 per share.

In December 2021, Messrs. Fireman, our Chief Executive Officer, and Levine, our then Chief Financial Officer, each exercised options to purchase 100,000 Common Shares on a cashless basis. The exercise price of \$0.63 per share was paid via the surrender by each individual of 73,256 Common Shares.

In April 2020, we issued options to purchase up to 50,000 Common Shares to Mr. Shaw, our Chief Operating Officer, 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.

In 2020, options to purchase an aggregate of 550,000 Common Shares were exercised by Mr. Fireman, Mr. Levine and an independent board member at exercise prices of \$0.13 and \$0.14 per share.

Our corporate offices are leased from an entity in which Mr. Levine 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.

We procure nutrients, lab equipment, cultivation supplies, furniture, and tools from an entity owned by the family of Mr. Shaw. The aggregate purchases from this entity in 2021 and 2020 approximated \$4.9 million and \$2.5 million, respectively.

We pay royalties on the revenue generated from our Betty's Eddies product line to an entity owned by Mr. Shaw 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 us, or licensed by us 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 us, or licensed by us 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 our majority owned subsidiaries paid aggregate distributions of approximately \$44,000 and \$30,000, respectively, to Messrs. Fireman and Levine, who own minority equity interests in such subsidiary. In 2021, another of our majority owned subsidiaries paid distributions of approximately \$7,000 to a current employee who owns a minority equity interest in such subsidiary.

Our mortgages with Bank of New England, DuQuoin State Bank, and South Porte Bank are personally guaranteed by Messrs. Fireman and Levine.

### Policies and Procedures for Related Party Transactions

As required under the Audit Committee Charter, the Audit Committee is responsible for reviewing and approving all related party transactions for potential conflict of interest situations. A related party transaction refers to transactions required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC. In evaluating related person transactions, the Audit Committee considers all factors it deems appropriate, including, without limitation, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the related person's interest in the transaction, and whether products or services of a similar nature, quantity, or quality are readily available from alternative sources.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth as of the Record Date, certain information with respect to the beneficial ownership of Common Shares by (i) each of our directors and executive officers; (ii) each person known to us who owns beneficially more than 5% of our outstanding Common Shares; and (iii) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount & Nature of Beneficial Owner	% of Class <sup>(2)</sup>
Robert Fireman	33,581,962 <sup>(3)</sup>	9.63%
Jon R. Levine	36,696,727 <sup>(3)</sup>	10.52%
Susan M. Villare	450,000 <sup>(4)</sup>	*
Timothy Shaw	12,849,508 <sup>(5)</sup>	3.76%
Eva Selhub, M.D.	200,000 <sup>(6)</sup>	*
David Allen	200,000 <sup>(6)</sup>	*
Edward Gildea	529,391 <sup>(7)</sup>	*
All directors and executive officers as a group (seven persons)	84,507,588 <sup>(7)</sup>	23.34%

\* Less than one percent.

(1) The business address for each person named is c/o MariMed Inc., 10 Oceana Way, Norwood, MA 02062.

(2) Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934 whereby shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by a person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. We believe that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by them (subject to community property laws where

applicable) and except where otherwise noted. All percentages are determined based on 338,738,994 Common Shares outstanding as of Record Date.

- (3) Includes 10,000,000 currently exercisable stock options.
- (4) Includes 100,000 currently exercisable stock options.
- (5) Includes 2,550,000 currently exercisable stock options.
- (6) Includes 200,000 currently exercisable stock options.
- (7) Includes 300,000 currently exercisable stock options
- (8) Includes 23,350,000 currently exercisable stock options

## **Proposal No. 2**

### **ADVISORY APPROVAL OF THE APPOINTMENT OF INDEPENDENT AUDITORS**

M&K has been our independent auditor since 2018. Their audit report appears in our annual report for the fiscal year ended December 31, 2021. One or more representatives of M&K is expected to be at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from our stockholders.

Selection of the independent accountants is not required to be submitted to a vote of our stockholders for advisory approval. In addition, the Sarbanes-Oxley Act of 2002 requires the Audit Committee to be directly responsible for the appointment, compensation, and oversight of the audit work of the independent auditors. The Audit Committee expects to appoint M&K to serve as independent auditors to conduct an audit of our accounts for the 2022 fiscal year. However, the Board is submitting this matter to our shareholders as a matter of good corporate practice. If the stockholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will take that into consideration when deciding whether to retain M&K and may retain that firm or another without re-submitting the matter to the stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in our and our stockholders' best interests.

**The Board recommends a vote FOR this proposal  
and proxies that are signed and returned will be so voted  
unless otherwise instructed.**

\* \* \* \* \*

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND OTHER MATTERS

### Fees Billed for Audit and Non-Audit Services

The following table represents the aggregate fees billed for professional audit services rendered by M&K for the audit of the annual financial statements for the years ended December 31, 2021 and 2020.

	Year Ended December 31,	
	2021	2020
Audit fees <sup>(1)</sup>	\$ 128,000	\$ 97,279
Audit-related fees <sup>(2)</sup>	-	-
Tax fees <sup>(3)</sup>	-	-
All other fees <sup>(4)</sup>	2,500	1,500
<b>Total accounting fees and services</b>	<b>\$ 130,500</b>	<b>\$ 98,779</b>

- (1) Fees for professional services for the audit of our annual financial statements, and for the review of the financial statements included in our Quarterly Reports on Form 10-Q, and for services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Fees for assurance and related services in connection with the performance of the audit or the review of our financial statements.
- (3) Fees for professional services with respect to tax compliance, tax advice, and tax planning.
- (4) Fees for permissible work that does not fall within any of the aforementioned categories of audit fees, audit-related fees, or tax fees.

### Pre-Approval Policy for Audit and Non-Audit Services

The Audit Committee pre-approves all audit and non-audit services before an accountant is engaged. All of the services rendered to us by our independent registered public auditors were pre-approved by the Audit Committee, and prior to the establishment of the Audit Committee, by the full Board.

## MISCELLANEOUS

### Other Matters

Management knows of no other matters other than the foregoing to be brought before the Annual Meeting, but if such other matters properly come before the Annual Meeting, or any adjournment thereof, the Proxyholders will vote such proxy on such matters in accordance with their best judgment.

Certain information contained in this Proxy Statement relating to the credentials and security holdings of our directors and officers is based upon information provided by the individual directors and officers.

### Reports and Consolidated Financial Statements

Our Annual Report on Form 10-K for the year ended December 31, 2021, including our Audited Consolidated Financial Statements (the “*Form 10-K*”), are included with the proxy materials for this Annual Meeting. Such report and consolidated financial statements contained therein are not incorporated herein by reference and are not considered part of this soliciting material.

A copy of the Form 10-K, without exhibits, will be provided without charge to any stockholder submitting a written request. With the payment of an appropriate processing fee, we will provide copies of the exhibits to the Form 10-K. Such request should be addressed to our principal executive offices:

MariMed Inc.  
10 Oceana Way  
Norwood, Massachusetts 02062.  
Attention: Steve West, Vice President, Investor Relations

### Solicitation of Proxies

The entire cost of the solicitation of proxies will be borne by us. Proxies may be solicited by our directors, officers and regular employees, without extra compensation, by telephone, telegraph, mail or personal interview. Solicitation is not to be made by specifically engaged employees or paid solicitors. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxies and proxy material to the beneficial owners of Common Shares.

### Stockholder Proposals for Next Annual Meeting

Stockholders who intend to have a proposal considered for inclusion in our proxy materials for presentation at our next year’s annual meeting pursuant to Rule 14a-8 under the Exchange Act must submit the proposal to our Secretary at our offices at 10 Oceana Way, Norwood, Massachusetts 02062, in writing not later than May 27, 2023, which is 120 calendar days before the one year anniversary date on which this Proxy Statement was mailed to our stockholders in connection with this Annual Meeting, and must otherwise comply with the rules promulgated by the SEC.

If the date of next year’s annual meeting is changed by more than 30 days from the anniversary date of the Annual Meeting on October 27, 2022, then the deadline is a reasonable time before we begin to print and mail proxy materials for next year’s annual meeting. In such an event, we expect to issue a press release announcing such change and take reasonable steps necessary to inform other relevant parties of the change including intermediaries in the proxy process.

### Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that only one copy of this Proxy Statement or Annual Report may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you call or write us at the following address or phone number: 10 Oceana Way, Norwood, Massachusetts 02062, (617) 795-5140. If you want to receive separate copies of the annual report and proxy statement in the future or if you

are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holders, or you may contact us at the above address and phone number.

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, WE URGE YOU TO SUBMIT YOUR VOTE VIA THE INTERNET, BY TELEPHONE OR BY SIGNING, DATING AND RETURNING YOUR PROXY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, AS SOON AS POSSIBLE, SO THAT YOUR SHARES CAN BE VOTED AT THE ANNUAL MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS.**

By order of the Board of Directors

*/s/ "Robert Fireman"*

Robert Fireman  
*Chairman and Chief Executive Officer*

Norwood, Massachusetts  
September 23, 2022

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2021**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File number 0-54433*

**MARIMED INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

27-4672745

**(State or Other Jurisdiction of Incorporation or Organization)**

**(I.R.S. Employer Identification No.)**

10 Oceana Way  
Norwood, MA 02062

(Address of Principal Executive Offices)

617-795-5140

(Registrant's Telephone Number, Including Area Code)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name Of Each Exchange On Which Registered</u>
None	Not Applicable	Not Applicable

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock, \$.001 par value  
(Title of Class)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.): Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of June 30, 2021 of \$0.94 per share, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$218.2 million.

At March 16, 2022, the issuer had outstanding 335,183,206 shares of Common Stock, par value \$.001 per share.

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### CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve risks and uncertainties, and our actual results could differ significantly from those discussed herein. These include statements about our expectations, beliefs, intentions or strategies for the future, which the Company indicates by words or phrases such as “anticipate,” “expect,” “estimate,” “could,” “should,” “would,” “project,” “predict,” “intend,” “plan,” “will,” “believe,” and similar language, including those set forth in the discussion under “Description of Business,” “Risk Factors” and “Management’s Discussion and Analysis or Plan of Operation” as well as those discussed elsewhere in this Form 10-K. The Company bases its forward-looking statements on information currently available to it, and the Company believes that the assumption and expectations reflected in such forward-looking statements are reasonable, and it assumes no obligation to update them. Statements contained in this Form 10-K that are not historical facts are forward-looking statements that are subject to the “safe harbor” created by the Private Securities Litigation Reform Act of 1995.



## PART I

### ITEM 1. BUSINESS.

#### 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 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.

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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.

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.

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 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.

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<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measurement that is defined in Item 7. *Management's Discussion And Analysis Of Financial Condition And Results Of Operations.*

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 four statewide 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 six 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.

#### Rhode Island

Rhode Island currently has a medical cannabis program where license holders must be not-for-profit entities. Previous discussions held by the Company to potentially acquire a licensed cannabis asset are currently suspended.

## Corporate History

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

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.

### **Recent Developments**

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.

### **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 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.

### **Intellectual Property**

The Company owns registered trademarks for Betty's Eddies, Kalm Fusion, and Nature's Heritage, and has filed to register the Bubby's Baked and Vibrations trademarks.

The Company's proprietary processing, and manufacturing techniques and technologies, while not patented, are kept strictly confidential. The Company enters into and enforces confidentiality agreements with key employees and consultants to protect its IP and general know-how.

### **Employees**

As of December 31, 2021, the Company had a total of 326 employees, of which 260 were full-time.

### **Website Access to Company Reports**

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on the Company's website at [www.marimedinc.com](http://www.marimedinc.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission.

In addition, copies of the Company's annual report will be made available, free of charge, on written request.

## **ITEM 1A. RISK FACTORS**

The Company's business is subject to numerous risks, including but not limited to those set forth below. The Company's operations and performance could also be subject to risks that do not exist as of the date of this report but emerge thereafter as well as risks that the Company does not currently deem material.

### **Risks Related to the Company's Operations**

*The Company's business, operations, financial condition, and liquidity have been and may continue to be affected by the outbreak of COVID-19.*

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The spread of COVID-19 in the United States and the measures to contain it—including business shutdowns, indoor capacity restrictions, social distancing, and diminished travel—have negatively impacted the economy and created significant volatility and disruption in financial markets. Business shutdowns in certain states in response to stay-at-home orders and related measures had temporarily eliminated access to the Company's dispensaries by certain customers, principally non-medical use customers, impacting sales during this restricted period. Further, the volatility in the financial markets and investor uncertainty has delayed the implementation of the Company's Consolidation Plan. As a result, the Company's business, operations, financial condition, and liquidity have been and may continue to be impacted. Further, the disruption to the global economy and to the Company's business, along with the decline in its stock price, may also negatively impact the future carrying values of certain assets, including inventories, accounts receivables, intangibles, and goodwill.

*Cannabis remains illegal under federal law.*

Cannabis remains illegal under federal law. It is a Schedule I controlled substance. Even in those jurisdictions in which the use of medical cannabis has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of cannabis trumps state laws that legalize its use for even medicinal purposes. At present the states are standing tall against the federal government, maintaining existing laws and passing new ones in this area. States continue to exert this freedom, with more states considering legalization. However, the Company continually faces election cycles, and a new administration or the United States Congress could introduce a less favorable policy. A change in the federal attitude towards enforcement could cripple the industry. There is currently broad support for changes in the federal law for improved banking, investing, and the potential legalization of cannabis. However, there is no certainty what will get changed or when. The medical and recreational cannabis industries are the Company's primary markets, and if these industries were to be unable to operate, the Company would lose its potential clients and licenses, which would have a significantly negative impact on the Company's business, operations, and financial condition.

*Future growth is dependent on additional states legalizing cannabis.*

Continued development of the cannabis market is dependent upon continued legislative authorization of cannabis at the state level for medical and adult recreational use. Any number of factors could slow or halt the progress. Further, progress, while encouraging, is not assured and the process normally encounters set-backs before achieving success. While there may be ample public support for legislative proposal, key support must be created in the legislative committee, or a bill may never advance to a vote. Numerous factors impact the legislative process. Any one of these factors could slow or halt the progress and adoption of cannabis for medical and/or recreational purposes, which would limit the market for the Company's products and negatively impact its ability to grow into other states.

*The Company's consolidation plan and growth strategy is subject to regulatory hurdles.*

The Company's strategy to expand its footprint into additional legal cannabis states through new applications and acquisitions of existing cannabis businesses is subject, in each respective jurisdiction, to the approval of a new license application or license transfer application. Such approvals are subject to numerous delays and uncertainties based upon administrative and legislative changes in what are typically, in light of the recent cannabis legalization status in most jurisdictions, new and untested rules and regulations. There is little interpretative guidance on how states will apply their respective licensing regulations and limited control over when an application will be acted upon. As a result, there is no assurance that the Company's expansion plan will not be frustrated by regulatory delays, and no assurance that any license application or transfer application will be approved.

*It will be difficult to evaluate the Company based on its past performance because it is transitioning its business into that of an owner of cannabis licenses and operator of cannabis operations.*

The Company has been actively engaged in the cannabis industry as an MSO for a relatively short period of time and, accordingly, has only limited financial results on which it can be evaluated. In addition, the components of the Company's revenue and costs are changing as it continues to move away from a fee-based-only business to a multi-state seed-to-sale operation. 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 the Company's services;
- a slowdown in general consumer acceptance of legalized cannabis; and
- an inability to grow and adapt the Company's business to evolving consumer demand.



*The medical cannabis industry faces strong opposition from traditional medicines.*

It is believed by many that existing, entrenched, well-funded, businesses may have a strong economic opposition to the medical cannabis industry as currently formed. For example, the Company believes that the pharmaceutical industry does not want to cede control of any compound that could become a strong selling drug. Specifically, medical cannabis will likely adversely impact the existing market for Marinol, the current “cannabis pill” sold by mainstream pharmaceutical companies. Further, the medical cannabis industry could face a material threat from the pharmaceutical industry should cannabis displace other drugs or simply encroach upon the pharmaceutical industry’s market share for compounds such as cannabis and its component parts. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical cannabis movement. Any inroads the pharmaceutical industry makes in halting or rolling back the medical cannabis movement could have a detrimental impact on the market for the Company’s products and thus on its business, operations and financial condition.

*The Company’s clients may have difficulty accessing the service of banks, which may make it difficult for such clients to purchase the Company’s products and services.*

As discussed above, the use of cannabis is illegal under federal law. Therefore, there are banks that will not accept for deposit funds from sale of cannabis and may choose not to do business with the Company’s clients. While there is pending legislation in the United States Senate that will allow banks to transact business with state-authorized medical cannabis businesses, there can be no assurance his legislation will be successful, that banks will decide to do business with medical cannabis retailers, or that in the absence of legislation state and federal banking regulators will not create issues on banks handling funds generated from an activity that is illegal under federal law. Notwithstanding, the Company has been able to secure state-chartered banks that are in compliance with federal law and provide certain banking services to companies in the cannabis industry. The inability of potential clients in the Company’s target market to open accounts and otherwise use the service of banks may make it difficult for them to purchase the Company’s products and services.

*The Company may not be able to economically comply with any new government regulation that may be adopted with respect to the cannabis industry.*

New legislation or regulation, or the application of existing laws and regulations to the medical and consumer cannabis industries could add additional costs and risks to doing business. the Company is subject to regulations applicable to businesses generally and laws or regulations directly applicable to communications over the Internet and access to e-commerce. Although there are currently few laws and regulations regulating the cannabis products, it is reasonable to assume that as cannabis use becomes more mainstream that the FDA and or other federal, state and local governmental agencies will impose regulations covering the cultivation, purity, privacy, quality control, security and many other aspects of the industry, all of which will likely raise the cost of compliance thereby reducing profits or even making it more difficult to continue operations, either of which scenarios, if they occur, could have a negative impact on the Company’s business and operations.

*The Company’s relatively small size and limited resources may restrict its ability to manage any growth it may experience.*

Growth of the Company’s business may place a significant strain on its management systems and resources and may require the Company to implement new operating and financial systems, procedures and controls. the Company’s failure to manage its growth and expansion could adversely affect its business, results of operations and financial condition. Failure to implement new systems effectively or within a reasonable period of time could adversely affect the Company’s business, results of operations and financial condition. The Company is constantly looking to add additional qualified talent to the management team to support its growth, but there is no assurance it will be successful in identifying and/or hiring such people.

*The market may not readily accept the Company’s products.*

Demand and market acceptance for the Company’s licensed branded new cannabis-infused products are subject to a high level of uncertainty. The successful introduction of any new product requires a focused, efficient strategy to create awareness of and desire for the products. For example, in order to achieve market acceptance for the Company’s cannabis products it will need to gain market and patient acceptance. Despite management’s efforts to gather data before introducing new products as a means to minimize the risk of product non-acceptance, no assurance can be given that the Company’s efforts will be successful.

The Company's marketing strategy may be unsuccessful and is subject to change as a result of a number of factors, including changes in market conditions (including the emergence of new market segments which in the Company's judgment can be readily exploited through the use of its technology), the nature of possible license and distribution arrangements and strategic alliances which may become available to us in the future and general economic, regulatory and competitive factors. There can be no assurance that the Company's strategy will result in successful product commercialization or that its efforts will result in initial or continued market acceptance for its proposed products.

*If the Company is unable to protect its intellectual property rights, competitors may be able to use the Company's technology or trademarks, which could weaken its competitive position.*

The Company relies on a combination of copyright, trademark, and trade secret laws and restrictions on disclosure to protect its intellectual property rights. The Company enters into confidentiality or license agreements with its employees, consultants and customers, and controls access to and distribution of its products, and other proprietary information. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use its products.

*If the Company loses its key employees or fails to hire and retain other talented employees when necessary, its operations could be harmed.*

The success of the Company's business is currently dependent, in large part, on the personal efforts of Messrs. Robert Fireman, Jon R. Levine, and Timothy Shaw, the Company's chief executive officer, chief financial officer, and chief operating officer, respectively. The loss of their services could have a material adverse effect on the Company's business. The success of the Company's business is currently dependent, in large part, upon its ability to hire and retain additional qualified management, marketing, technical, financial, and other personnel if and when its growth so requires. Competition for qualified personnel is intense and the Company may not be able to hire or retain such additional qualified personnel. Any inability to attract and retain qualified management and other personnel would have a material adverse effect on the Company's ability to grow its business and operations.

*The Company faces competition from entities with greater resources.*

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

The introduction of a recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company, and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

A change in federal laws regarding the classification of cannabis as a controlled substance, interstate cannabis commerce, banking for entities in the cannabis industry, or other related regulations may have a significant impact on the Company's business.

*Results of clinical research, if unfavorable, could have a negative impact on the industries in which the Company operates and consequently on its business model.*

Research in Canada, the United States 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 the Company believes that the 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. 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.

*The Company faces the prospect of claims of product liability if anyone is harmed by its products.*

The Company's products will be produced for sale directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the production and sale of the Company's products involves the risk of injury to end users due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human or animal 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 its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. While the Company has product liability insurance coverage in place and works with third party providers to ensure they do as well, a product liability claim or regulatory action against the Company could exceed the Company's insurance coverage, and could adversely affect the Company's reputation and have a material adverse effect on its business and operational results.

*The Company is subject to compliance with environmental regulations which can be onerous and costly.*

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. 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 and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental 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 implementing its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental 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 due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations which could have a material adverse effect on its business and operational results.

*The Company is subject to potential risks related to, and arising from, acquiring companies.*

The Company is in the process of acquiring several companies and intends to acquire other companies in the future. There are risks inherent in any such acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from such acquisitions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's securities. The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on the Company's management. There is no assurance that these acquisitions will be successfully integrated in a timely or cost-efficient manner, or at all.

*In the event the Company is sued for any reason, it would face potential cost and interference with its business operations.*

The Company is, and may from time to time become, party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company is, or becomes, involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

## **Risks Related to the Company's Common Stock**

*Possible issuances of the Company's capital stock would cause dilution to its existing shareholders.*

The Company currently has approximately 335.2 million shares of common stock outstanding and it is authorized to issue up to 700 million shares. Therefore, the Company will be able to issue a substantial number of additional shares without obtaining shareholder approval. In the event the Company elects to issue additional shares of common stock in connection with any financing, acquisition or otherwise, current shareholders could find their holdings substantially diluted, which means they will own a smaller percentage of the Company. In addition, the Company currently has outstanding approximately 4.9 million shares of Series B preferred stock (which convert on a one-for-one basis into shares of common stock) and approximately 6.2 million shares of Series C preferred stock (which convert on a five-for-one basis into shares of common stock). The Company's board of directors is authorized to issue up to a total of 50 million shares of preferred stock (including the previously issued shares) with terms it designates without any further shareholder approval.

*The exercise or conversion of outstanding warrants and options into common stock will dilute the percentage ownership of the Company's other shareholders. The sale of such common stock or other common stock in the open market could adversely affect the market price of the Company's common stock.*

As of December 31, 2021, there were potentially dilutive securities convertible into shares of common stock comprised of stock options, convertible into 39,821,671 shares, warrants, convertible into 26,351,571 shares, Series B preferred stock, convertible into 4,908,333 shares, Series C preferred stock, convertible into 31,081,080, and promissory notes, convertible into 1,142,857 shares. More convertible securities will likely be granted in the future to the Company's officers, directors, employees or consultants and as part of future financings. The exercise of outstanding stock options and warrants and conversion of notes and debentures will dilute the percentage ownership of the Company's other shareholders. Sales, or the expectation of sales, of a substantial number of shares of the Company's common stock in the private or public markets could adversely affect the prevailing market price of the Company's common stock.

### *Potential Volatility of Common Share Price*

The market price of the Company's common stock could be subject to significant fluctuations. Some of the factors that may cause the market price of the common stock to fluctuate include:

- (a) the public's reaction to the Company's press releases, announcements and filings with regulatory authorities and those of its competitors;
- (b) fluctuations in broader stock market prices and volumes;
- (c) changes in market valuations of similar companies;
- (d) investor perception of the Company, its prospects or the industry in general;
- (e) additions or departures of key personnel;
- (f) commencement of or involvement in litigation;
- (g) changes in the regulatory landscape applicable to the Company, the dietary supplement and/or the cannabis and hemp industries;
- (h) media reports, publications or public statements relating to, or public perceptions of, the regulatory landscape applicable to the Company, the cannabis or the hemp industry, whether correct or not;
- (i) announcements by the Company or its competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;
- (j) variations in the Company's quarterly results of operations or cash flows or those of other comparable companies;
- (k) revenues and operating results failing to meet the expectations of securities analysts or investors in a particular period;

- (l) changes in the Company's pricing policies or the pricing policies of its competitors;
- (m) future issuances and sales of the Company's common stock;
- (n) sales of the Company's common stock by insiders of the Company;
- (o) third party disclosure of significant short positions;
- (p) demand for and trading volume of the Company's common stock;
- (q) changes in securities analysts' recommendations and their estimates of the Company's financial performance;
- (r) short-term fluctuation in stock price caused by changes in general conditions in the domestic and worldwide economies or financial markets; and
- (s) the other risk factors described in this section or other sections of this 10-K.

The realization of any of these risks and other factors beyond the Company's control could cause the market price of the common stock to decline significantly.

In addition, broad market and industry factors may harm the market price of the Company's common stock. Hence, the price of the common stock could fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations could materially reduce the price of the common stock regardless of the Company's operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If the Company were involved in any similar litigation, it could incur substantial costs, Management's attention and resources could be diverted and it could harm the Company's business, operating results and financial condition.

*In the event the Company requires additional financing and access to capital, covenants and restrictions in existing agreements may limit the Company's options.*

Certain of the Company's existing financing agreements contain covenants that restrict its ability to incur additional debt, pay dividends or redeem shares of its stock. If the Company seeks to raise additional capital or financing, there can be no assurance that such capital or additional financing will be available on terms that comply with existing covenants and are satisfactory to the Company.

*The Company has no plans to pay dividends on its common stock.*

The Company does not expect to declare or pay dividends on the common stock in the foreseeable future. In addition, the payment of cash dividends is limited by the terms of the Company's financing agreements.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

#### **ITEM 2. 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 Delaware cannabis-licensed client under a 20-year 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 maturing in 2020, provided it is not annually renewed by the bank, which the bank has done every year of this mortgage (the "DSQ Mortgage").

#### Harrisburg, Illinois

The Company owns and operates a 3,400 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 includes a 5-year extension option.

### **ITEM 3. LEGAL PROCEEDINGS.**

#### Terminated Employment Agreement

In July 2019, Thomas Kidrin, the former chief executive officer and 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 his 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 which alleged 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.

#### Maryland Litigation

As previously discussed in Part I, Item 1. *Business* in this report, in 2019, 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 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.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's common stock currently trades on the OTCQX market under the MRMD ticker symbol. Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

#### Stockholders

As of March 16, 2022, the Company had 729 stockholders of record and 335,183,206 outstanding shares of common stock.

#### Dividends

The Company has never declared or paid a dividend on its common stock, and it does not anticipate paying cash or other dividends in the foreseeable future.

#### Recent Sales of Unregistered Securities

In November 2021, the Company issued 202,204 shares of common stock associated with previously issued subscriptions on common stock with a value of approximately \$189,000.

During the period October 2021 to January 2022, the holder of Company-issued promissory notes converted \$875,000 of principal into 2,500,001 shares of common stock at a conversion price of \$0.35 per share.

During the period October 2021 to January 2022, options to purchase 55,000 shares of common stock were exercised by current and former employees at exercise prices of \$0.14 and \$0.30 per share. Additionally, in December 2021, the Company's CEO and CFO each exercised options on a cashless basis to purchase common stock at an exercise price of \$0.63 per share, each receiving 26,744 net shares of common stock.

In December 2021, the Company granted 2,293 shares of common stock to an employee in exchange for services rendered during the fourth quarter of 2021 at a value of approximately \$2,000.

In December 2021, the Company issued 825,000 shares of common stock in exchange for consulting services.

During the period October 2021 to December 2021, the Company granted five-year options to employees to purchase up to 2,972,500 shares of common stock at exercise prices ranging from \$0.69 to \$0.88 per share. Additionally, in October 2021, the Company granted five-year options to its CEO, CFO, and COO to purchase up to 11,250,000 shares of common stock in the aggregate at an exercise price of \$0.90 per share.

The issuance of the shares of common stock described above were deemed to be exempt from registration under the Securities Act in reliance upon Sections 4(a)(2) and/or 4(a)(5) of the Securities Act. A legend restricting the sale, transfer, or other disposition of these securities other than in compliance with the Securities Act was placed on the securities issued in the foregoing transactions.

## Company Equity Compensation Plans

The following table sets forth information as of December 31, 2021 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by stockholders <sup>(1)</sup> .....	39,821,671	\$ 0.91	28,618,664
Equity compensation plans not approved by stockholders.....	-	\$ -	-
Total.....	<u>39,821,671</u>		<u>28,618,664</u>

(1) Consist of options exercisable for (i) 39,821,671 shares granted under the Incentive Plan (hereinafter defined) of which 3,456,250 shares continue to be subject to the terms of the Company's 2018 Stock Award and Incentive Plan.

The Company's Amended and Restated 2018 Stock Award and Incentive Plan (the "Incentive Plan") provides incentives for the achievement of important performance objectives and promotes the long-term success of the Company. In September 2019, the Company's stockholders approved the Incentive Plan. In September 2021, the stockholders approved an amendment to the Incentive Plan increasing the aggregate number shares reserved for issuance from 40,000,000 to 70,000,000.

The Incentive Plan is an omnibus plan, authorizing a variety of equity award types as well as cash and long-term incentive awards. Each award under the Incentive Plan is subject to the Company's claw back policy in effect at the time of grant of the award. Shares actually delivered in connection with an award will be counted against the aggregate number of reserved shares. Shares will remain available for new awards if an award under the Incentive Plan expires, is forfeited, canceled, or otherwise terminated without delivery of shares or is settled in cash.

The board of directors may amend, suspend, discontinue, or terminate the Incentive Plan or the authority to grant awards thereunder without stockholder approval, except as required by law or regulation or under rules of the stock exchange, if any, on which the Company's stock may then be listed. Unless earlier terminated, grants under the Incentive Plan will terminate ten years after stockholder approval of the Incentive Plan, and the Incentive Plan will terminate when no shares remain available, and the Company has no further obligation with respect to any outstanding award.

## ITEM 6. SELECTED FINANCIAL DATA

The Company is a "smaller reporting company" as defined by Regulations S-K and as such, is not required to provide the information contained in this item pursuant to Regulation S-K.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### Forward Looking Statements

When used in this form 10-K and in future filings by the Company with the Commission, 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 report under Item 8.

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 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.

## 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.

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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.

## 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 to 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.

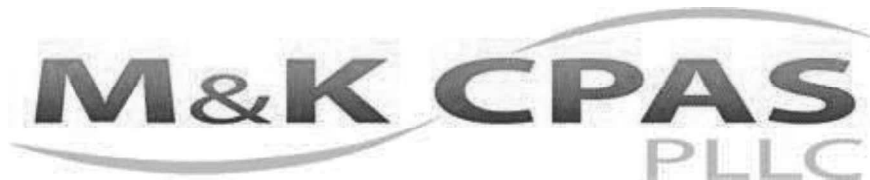
#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is a "smaller reporting company" as defined by Regulation S-K and, as such, is not required to provide the information contained in this item pursuant to Regulation S-K.

**ITEM 8. FINANCIAL STATEMENTS.**

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## 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
<b>Total current assets .....</b>	<b>44,612,977</b>	<b>21,043,221</b>
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
<b>Total assets .....</b>	<b>\$ 123,204,901</b>	<b>\$ 76,445,171</b>
<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
<b>Total current liabilities .....</b>	<b>27,222,569</b>	<b>23,226,611</b>
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
<b>Total liabilities .....</b>	<b>49,180,888</b>	<b>53,619,735</b>
Mezzanine equity:		
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 .....	23,000,000	-
<b>Total mezzanine equity .....</b>	<b>37,725,000</b>	<b>14,725,000</b>
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)
<b>Total stockholders' equity .....</b>	<b>36,299,013</b>	<b>8,100,436</b>
<b>Total liabilities, mezzanine equity, and stockholders' equity .....</b>	<b>\$ 123,204,901</b>	<b>\$ 76,445,171</b>

*See accompanying notes to consolidated financial statements.*

MariMed Inc.  
Consolidated Statements of Operations

	Year Ended December 31,	
	2021	2020
Revenues.....	\$ 121,464,158	\$ 50,895,151
Cost of revenues .....	55,201,078	19,570,257
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 .....	39,399,590	16,794,237
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 .....	(3,047,612)	(10,034,341)
Income before income taxes .....	23,815,878	4,496,316
Provision for income taxes .....	16,192,327	2,067,049
Net income.....	\$ 7,623,551	\$ 2,429,267
Net income attributable to noncontrolling interests .....	\$ 399,030	\$ 285,278
Net income attributable to MariMed Inc.....	\$ 7,224,521	\$ 2,143,989
Net income per share		
Basic .....	\$ 0.02	\$ 0.01
Diluted .....	\$ 0.02	\$ 0.01
Weighted average common shares outstanding		
Basic .....	326,466,794	266,980,197
Diluted .....	372,396,731	324,160,525

*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 .....	314,418,812	\$ 314,419	11,413	\$ 5,365	\$112,974,329	\$(104,616,538)	\$ (577,139)	\$ 8,100,436
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
Cash flows from operating activities:		
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
Changes in operating assets and liabilities:		
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 .....	<u>\$ -</u>	<u>\$ 913,942</u>
Discount on promissory notes .....	<u>\$ -</u>	<u>\$ 708,043</u>
Beneficial conversion feature on debentures payable .....	<u>\$ -</u>	<u>\$ 379,183</u>
Discount on debentures .....	<u>\$ -</u>	<u>\$ 28,021</u>

*See accompanying 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 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.

<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.

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.

## 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:

<u>Subsidiary:</u>	<u>Percentage Owned</u>
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 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 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:

	<u>2021</u>	<u>2020</u>
Current investments:		
Flowr Corp. (formerly Terrace Inc.) .....	\$ 250,600	\$ 1,357,193
Non-current investments:		
MembersRSVP LLC .....	<u>-</u>	<u>1,165,788</u>
Total investments .....	<u>\$ 250,600</u>	<u>\$ 2,522,981</u>

### 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 .....	<u>126,713</u>	<u>658,122</u>
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:

	<u>2021</u>	<u>2020</u>
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:

	<u>2021</u>	<u>2020</u>
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:

	<u>2021</u>	<u>2020</u>
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:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Initial Principal</u>	<u>Interest Rate</u>	<u>Issue Discount</u>	<u>Warrant Discount</u>	<u>Beneficial Conversion Feature</u>
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)%
Total.....	<u>63.6%</u>	<u>46.0%</u>

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
Deferred tax assets:		
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	-
Deferred tax liabilities:		
Depreciation.....	(2,520,188)	(1,717,596)
Real estate revenue.....	(999,739)	(997,590)
Net deferred tax asset.....	<u>28,642,197</u>	<u>23,882,033</u>
Valuation allowance.....	(28,642,197)	(23,882,033)
Total.....	<u>\$ -</u>	<u>\$ -</u>

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 common 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.....	<u>2,611,297</u>	-
Total lease payments.....	7,907,482	\$ 53,553
Less: imputed interest .....	<u>(2,262,546)</u>	<u>(3,975)</u>
	<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 Mari-MD 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.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES.**

#### **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of its CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures (defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2021 (the "Evaluation Date"). Based upon that evaluation, the CEO and CFO concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act (i) are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) are accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC in Rule 13a-15(f) and 15d-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control system is designed to provide reasonable assurances to its management and the board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations which may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's CEO and CFO assessed the effectiveness of its internal control over financial reporting as of December 31, 2021. In making this assessment, the CEO and CFO used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*. Based on that assessment and using the COSO criteria, the CEO and CFO have concluded that, as of December 31, 2021, its internal control over financial reporting was not effective due to the lack of a formalized and complete set of policy and procedure documentation evidencing the Company's system of internal controls over financial reporting ("Lack of Formal Documentation"). Such Lack of Formal Documentation is not uncommon in a company of the Company's size due to personnel and financial limitations.

The Company's management intends to work to remediate the Lack of Formal Documentation, which is expected to include the hiring of an independent consulting or accounting firm to review and document its internal control system to ensure compliance with COSO. However, the Company's financial position could make it difficult for it to implement this remediation.

### **Changes in Internal Control over Financial Reporting**

Over the past several years, the Company implemented significant measures to remediate past instances of ineffectiveness of the Company's internal control over financial reporting. The remediation measures consisted of the engagement of accounting consultants as needed to provide expertise on specific areas of the accounting guidance, the hiring of individuals with appropriate experience in internal controls over financial reporting, and the modification to the Company's accounting processes and enhancement to the Company's financial control. Further, the Company expanded its board of directors to include a majority of independent disinterested directors; established an audit, compensation, and corporate governance committee of the board of directors; and adopted a formal policy with respect to related party transactions.

Other than as described above, there was no change to the Company's internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) that occurred during the fiscal year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Attestation Report of the Registered Public Accounting Firm**

Pursuant to rules of the SEC that permit the Company to provide only its management's report in this annual report on Form 10-K, an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting is not included in this Form 10-K.

### **ITEM 9B. OTHER INFORMATION.**

None.



### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the name, age and position of to the Company's directors and executive officers. to the Company's directors are elected annually and serve until the next annual meeting of stockholders.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert Fireman	73	President, Chief Executive Officer, and Chairman
Jon R. Levine	57	Chief Financial Officer, Treasurer, Secretary, and Director
Eva Selhub, M.D. <sup>(4)(5)</sup>	54	Director
David Allen <sup>(1)(5)</sup>	67	Director
Edward Gildea <sup>(2)(3)</sup>	70	Director

- (1) Chairman of the Audit Committee.
- (2) Member of the Audit Committee.
- (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.

Set forth below is a brief description of the background and business experience of to the Company's executive officers and directors:

**Robert Fireman** has served as the Company's president and chief executive officer since 2017 and as a director since its formation. Mr. Fireman, and is a seasoned executive and an early pioneer and visionary in the cannabis industry. Under his leadership, the Company has applied for and been awarded legal cannabis licenses in multiple states and has overseen the development of state of the art, regulatory compliant cannabis cultivation, production, and retail facilities. 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 that was sold to News America Marketing, a division of News Corp. Mr. Fireman has been a practicing attorney for over 30 years. Mr. Fireman's legal acumen and entrepreneurial experience in diverse industries serve as tremendous assets in navigating the Company through the complex, regulated emerging cannabis industry. In addition, he draws on his experience in direct marketing and loyalty programs, identity security, hydroponic farming, medical billing, and many other consumer facing applications to benefit the challenges and issues facing the Company's growth and success. Mr. Fireman's experience in the emerging cannabis industry and his professional background make him well-qualified to serve as chairman of the Company's board of directors (the "Board").

**Jon R. Levine** has served as the Company's chief financial officer, treasurer, and secretary since 2017 and has been a director since 2016. Mr. Levine has over ten years of experience in the cannabis industry. He possesses over 20 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, in the leasing industry with AT&T Financial Services, and with New Court Financial as a senior credit officer. Mr. Levine's experience in the cannabis industry and his professional background make him an important part of the Company's management team and make him well-qualified to serve as a member of the Board.

**Eva Selhub, M.D.** 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 the Company's directors.

**David Allen** has been a director since June 2019. He brings over 24 years of experience as a director, CEO and CFO of public companies. Mr. Allen presently serves as Chief Financial Officer of Iconic Brands, Inc. From April 2019 to November 2021, Mr. Allen served as Chief Financial Officer, board member, and audit committee chair of Iconic Brands, Inc. From May 2018 to April 2019, Mr. Allen served as Chief Financial Officer of Iconic Brands, Inc. 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 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 allows him to make valuable contributions to the Board.

**Edward Gildea** has been a director since the Company’s formation. Mr. Gildea is currently a partner in the law firm Fisher Broyles LLP, a position he has held since 2014. 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 the 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.

### **Family Relationships**

None of the directors or executive officers are related by blood, marriage, or adoption.

### **Legal Proceedings**

None.

### **Code of Ethics**

The Company has adopted a code of ethics (the “Code of Ethics”) that applies to its principal chief executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics can be found on the Company’s website at <https://bit.ly/MRMDethics>. The Code of Ethics was designed with the intent to deter wrongdoing, and to promote the following:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships
- Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submit to, the Commission and in other public communications the Company makes
- Compliance with applicable governmental laws, rules and regulations
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code
- Accountability for adherence to the code

### **Director Independence**

The Board has determined that Messrs. David Allen and Edward Gildea, and Dr. Eva Selhub are independent and represent a majority of its members. In determining director independence, the Board applies the independence standards set by the Nasdaq Stock Market (“NASDAQ”). In applying these standards, the Company’s Board considers all transactions with the independent directors and the impact of such transactions, if any, on any of the independent directors’ ability to continue to serve on the Company’s Board.

## **Board Committees**

The Board has three standing committees: an audit committee (the “Audit Committee”), a compensation committee (the “Compensation Committee”) and a nominating and corporate governance committee (the “Nominating and Corporate Governance Committee”). Each committee is made up entirely of independent directors as defined under section 5605(a)(2) of the NASDAQ rules. The members of the Audit Committee are Messrs. Allen and Gildea. Mr. Allen is also the chairman of the Audit Committee and qualifies as the “audit committee financial expert” pursuant to Item 407(d)(5) of Regulation S-K. The members of the Compensation Committee are Mr. Gildea and Dr. Selhub, and the members of the Nominating and Corporate Governance Committee are Messrs. Allen and Gildea and Dr. Selhub. Mr. Gildea is the chairman of both of these committees.

The Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee have, the responsibilities described below.

### Audit Committee.

The Audit Committee oversees the Company’s accounting and financial reporting processes, internal systems of accounting and financial controls, relationships with auditors and audits of financial statements. Specifically, the Audit Committee’s responsibilities include the following:

- selecting, hiring and terminating the Company’s independent auditors;
- evaluating the qualifications, independence, and performance of the Company’s independent auditors;
- approving the audit and non-audit services to be performed by the independent auditors;
- reviewing the design, implementation and adequacy and effectiveness of the Company’s internal controls and critical policies;
- overseeing and monitoring the integrity of the Company’s financial statements and its compliance with legal and regulatory requirements as they relate to its financial statements and other accounting matters;
- with management and the Company’s independent auditors reviewing any earnings announcements and other public announcements regarding its results of operations; and
- preparing the report that the SEC requires in the Company’s annual proxy statement.

A copy of the Audit Committee charter is available on the Company’s website at [www.marimedinc.com](http://www.marimedinc.com).

### Compensation Committee.

The Compensation Committee assists the Board in determining the compensation of the Company’s officers and directors. The Compensation Committee is comprised entirely of directors who satisfy the standards of independence applicable to Compensation Committee members established under 162(m) of the Code and Section 16(b) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Specific responsibilities include the following:

- approving the compensation and benefits of its executive officers;
- reviewing the performance objectives and actual performance of its officers; and
- administering its stock option and other equity and incentive compensation plans.

### Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee assists the Board by identifying and recommending individuals qualified to become members of the Board. Specific responsibilities include the following:

- evaluating the composition, size and governance of the Board and its committees and making recommendations regarding future planning and the appointment of directors to the Company’s committees;
- establishing a policy for considering stockholder nominees to the Board;

- reviewing the Company's corporate governance principles and making recommendations to the Board regarding possible changes; and
- reviewing and monitoring compliance with the Company's code of ethics and insider trading policy.

### **Board Nominations**

Prior to the establishment of the Nominating and Corporate Governance Committee, the entire Board acted as the nominating committee for the purposes of identifying and recommending director candidates. The Board was responsible for nominating director candidates for the annual meeting of stockholders each year and considered director candidates recommended by stockholders. These responsibilities have largely been assumed by the Nominating and Corporate Governance Committee.

In considering candidates submitted by stockholders, the Nominating and Corporate Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating and Corporate Governance Committee may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the Nominating and Corporate Governance Committee for recommendation to the Board for nomination as a director candidate, a stockholder must submit the recommendation in writing and must include the following information: (i) the name of the stockholder and evidence of the person's ownership of Company stock, (including the number of shares owned and the length of time of ownership); (ii) the name of the candidate; (iii) the candidate's resume or a listing of his or her qualifications to be a director of the Company; and (iv) the person's consent to be named as a director if selected and nominated by the Board.

The information described above must be sent to the Company's Secretary at 10 Oceana Way, Norwood, Massachusetts 02062, on a timely basis in order to be considered by the Nominating and Corporate Governance Committee, within the time period prescribed by Rule 14a-8 under the Exchange Act.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Under Section 16(a) of the Exchange Act, all executive officers, directors, and each person who is the beneficial owner of more than 10% of the common stock of a company that files reports pursuant to Section 12 of the Exchange Act, are required to report the ownership of such common stock, options, and stock appreciation rights (other than certain cash-only rights) and any changes in that ownership with the Commission. Specific due dates for these reports have been established, and the Company is required to report, in this Form 10-K, any failure to comply therewith during the fiscal year ended December 31, 2021 or prior fiscal years.

Other than as set forth in the Delinquent Section 16(a) Reports section below, the Company believes that all of these filing requirements were satisfied by its executive officers, directors and by the beneficial owners of more than 10% of the Company's common stock. In making this statement, the Company has relied solely on copies of any reporting forms it has received, and upon any written representations received from reporting persons that no Form 5 (Annual Statement of Changes in Beneficial Ownership) was required to be filed under applicable rules of the Commission.

#### *Delinquent Section 16(a) Reports*

Each of Robert Fireman and Jon Levine was not timely in the filing of one Form 4 during the fiscal year ended December 31, 2021 to report an option exercise in December 2021.

## ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation paid by the Company during the fiscal periods ended December 31, 2021 and 2020 to its chief executive officer and other most highly compensated executive officers whose compensation exceeded \$100,000 for the year ended December 31, 2021.

### Summary Compensation Table <sup>(1)(2)</sup>

Name and principal position	Year	Salary	Bonus	Stock Awards	Option Awards <sup>(3)</sup>	All Other Compensation	Total
Robert Fireman .....	2021	\$ 250,192	\$ -	\$ 23,000	\$6,253,226	\$ -	\$6,526,418
President and CEO	2020	\$ 31,486	\$ -	\$ -	\$ -	\$ -	\$ 31,486
Jon R. Levine .....	2021	\$ 237,981	\$ -	\$ 23,000	\$6,253,226	\$ -	\$6,514,207
Chief Financial Officer	2020	\$ 37,486	\$ -	\$ -	\$ -	\$ -	\$ 37,486
Timothy Shaw .....	2021	\$ 223,269	\$ -	\$ -	\$1,563,307	\$ -	\$1,786,576
Chief Operating Officer	2020	\$ 158,139	\$ 1,751	\$ -	\$ 5,967	\$ -	\$ 165,857

- (1) The compensation reported on the table does not include other personal benefits, the total value of which do not exceed \$10,000.
- (2) Pursuant to the regulations promulgated by the SEC, the table omits columns reserved for types of compensation not applicable to us.
- (3) Amounts represent the fair value of option awards valued on grant date using the Black-Scholes pricing model and recognized over the vesting period for financial reporting purposes.

### Stock Option Grants

The following table sets forth information as of December 31, 2021 concerning unexercised options, unvested stock and equity incentive plan awards for the officers named in the Summary Compensation Table.

### Outstanding Equity Awards at Year Ended December 31, 2021

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards:			Option Expiration Date
			Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)		
Robert Fireman .....	2,500,000	2,500,000	-	\$ 0.90	10/01/26	
Robert Fireman .....	2,500,000	2,500,000	-	\$ 0.88	07/09/26	
Jon R. Levine .....	2,500,000	2,500,000	-	\$ 0.90	10/01/26	
Jon R. Levine .....	2,500,000	2,500,000	-	\$ 0.88	07/09/26	
Timothy Shaw .....	625,000	625,000	-	\$ 0.90	10/01/26	
Timothy Shaw .....	625,000	625,000	-	\$ 0.88	07/09/26	
Timothy Shaw .....	50,000	-	-	\$ 0.30	03/31/25	

### Compensation of Directors

The compensation package for each of the three non-employee members of the Board is comprised of an annual grant of stock options to purchase up to 100,000 shares of the Company's common stock with a five-year term at an exercise price equal to the fair value the Company's common stock on the grant date, and cash compensation of \$6,250 per quarter.

The following table sets forth information concerning the compensation paid to each of to the Company's non-employee directors during 2021 for their services rendered as directors.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards <sup>(4)</sup>	Total
Eva Selhub, M.D. <sup>(1)</sup> .....	\$ 25,000	\$ 0	\$ 60,890	\$ 85,890
David Allen <sup>(2)</sup> .....	\$ 25,000	\$ 0	\$ 60,890	\$ 85,890
Edward Gildea <sup>(3)</sup> .....	\$ 25,000	\$ 0	\$ 60,890	\$ 85,890

(1) Dr. Selhub held 200,000 stock options at December 31, 2020.

(2) Mr. Allen held 200,000 stock options at December 31, 2020.

(3) Mr. Gildea held 300,000 stock options at December 31, 2020.

(4) Amounts represent the fair value of option awards valued on grant date using the Black-Scholes pricing model and recognized over the vesting period for financial reporting purposes.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth as of March 16, 2022, certain information with respect to the beneficial ownership of common stock by (i) each of to the Company's directors and executive officers; (ii) each person known to us who owns beneficially more than 5% of the common stock; and (iii) all directors and executive officers as a group.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount & Nature of Beneficial Owner	% of Class <sup>(2)</sup>
Robert Fireman.....	28,581,962 <sup>(3)</sup>	8.40%
Jon R. Levine.....	31,696,727 <sup>(4)</sup>	9.32%
Timothy Shaw.....	11,149,508 <sup>(5)</sup>	3.31%
Eva Selhub, M.D.....	200,000 <sup>(6)</sup>	*
David Allen.....	200,000 <sup>(6)</sup>	*
Edward Gildea.....	529,391 <sup>(7)</sup>	*
All directors and executive officers as a group (six persons).....	72,357,588 <sup>(8)</sup>	20.84%

\* Less than one percent.

(1) The business address for each person named is c/o MariMed Inc., 10 Oceana Way, Norwood, MA 02062.

(2) Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934 whereby shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by a person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. The Company believes that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by them (subject to community property laws where applicable) and except where otherwise noted. All percentages are determined based on 335,183,206 shares of common stock outstanding as of March 16, 2022.

(3) Includes 5,000,000 currently exercisable stock options.

(4) Includes 5,000,000 currently exercisable stock options and 6,684,640 shares of common stock held in a trust for the benefit of the Mr. Levine's children. Mr. Levine's spouse is the trustee of the trust. Mr. Levine disclaims beneficial ownership of the 6,684,640 shares held in trust for the purposes of section 13(d) or 13(g) of the Exchange Act.

(5) Includes 1,300,000 currently exercisable stock options and 2,000,000 shares of common stock held in a trust for the benefit of Mr. Shaw's children. Mr. Shaw's spouse is the trustee of the trust. Mr. Shaw disclaims beneficial ownership of the 2,000,000 shares held in the trust for the purposes of section 13(d) or 13(g) of the Exchange Act.

(6) Includes 200,000 currently exercisable stock options.

(7) Includes 300,000 currently exercisable stock options

(8) Includes 12,000,000 currently exercisable stock options

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

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.

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.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

**Fees Billed for Audit and Non-Audit Services**

The following table represents the aggregate fees billed for professional audit services rendered by the independent registered public audit firm of M&K CPAs PLLC for the audit of the annual financial statements for the years ended December 31, 2021 and 2020.

	Year Ended December 31,	
	2021	2020
Audit fees <sup>(1)</sup> .....	\$ 128,000	\$ 97,279
Audit-related fees <sup>(2)</sup> .....	-	-
Tax fees <sup>(3)</sup> .....	-	-
All other fees <sup>(4)</sup> .....	2,500	1,500
Total accounting fees and services .....	\$ 130,500	\$ 98,779

- (1) Fees for professional services for the audit of the Company’s annual financial statements, and for the review of the financial statements included in the Company’s filings on Form 10-Q, and for services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Fees for assurance and related services in connection with the performance of the audit or the review of the Company’s financial statements.
- (3) Fees for professional services with respect to tax compliance, tax advice, and tax planning.
- (4) Fees for permissible work that does not fall within any of the aforementioned categories of audit fees, audit-related fees, or tax fees.

**Pre-Approval Policy for Audit and Non-Audit Services**

The audit committee pre-approves all audit and non-audit services before an accountant is engaged. All of the services rendered to the Company by its independent registered public auditors were pre-approved by the audit committee, and prior to the establishment of the audit committee, by the full board.



## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The Company has filed the following documents as part of this Form 10-K:

#### 1. Consolidated Financial Statements

See Index to Consolidated Financial Statement on page 28.

#### 2. Financial Statement Schedules

No financial statement schedules are included because the information is either provided in the consolidated financial statements or is not required under the related instructions or is inapplicable, and therefore such schedules have been omitted.

#### 3. Exhibits

<b>Exhibit No.</b>	<b>Description</b>
3.1	Certificate of Incorporation of the Company (a)
3.1.1	Certificate of Amendment to the Certificate of Incorporation of the Company as filed with the Secretary of State of Delaware on March 9, 2017 (b)
3.1.2	Series B Convertible Preferred Stock Certificate of Designation as filed with the Secretary of State of Delaware on February 27, 2020 (h)
3.1.3	Certificate Eliminating the Series A Preferred Stock as filed with the Secretary of State of Delaware on February 27, 2020 (h)
3.1.4	Series C Convertible Preferred Stock Certificate of Designation as filed with the Secretary of State of Delaware on March 1, 2021 (p)
3.1.5	Certificate of Amendment to the Certificate of Incorporation of the Company as filed with the Secretary of State of Delaware on April 25, 2017, effective as of May 1, 2017 (q)
3.1.6	Certificate of Amendment to the Certificate of Incorporation of the Company as filed with the Secretary of State of Delaware on September 24, 2021 (q)
3.2	By-Laws – Restated as Amended (a)
4.1	Amended and Restated Promissory Note, dated February 10, 2020, in the principal amount of \$11,500,000, issued by MariMed Hemp Inc. and MariMed Inc. (f)
4.1.1	Promissory Note, dated February 27, 2020, in the principal amount of \$3,742,500, issued by MariMed Inc. to Navy Capital Green Fund, LP (h)
4.1.2	Promissory Note, dated February 27, 2020, in the principal amount of \$675,000, issued by MariMed Inc. to Navy Capital Green Co-Invest Fund, LLC (h)
4.1.3	12% Convertible Promissory Note, dated April 23, 2020, in the principal amount of \$900,000, issued by MariMed Inc. to Best Buds Funding LLC (i)
4.2	Second Amended and Restated Promissory Note, dated June 24, 2020, in the principal amount of \$8,811,653.84, issued by MariMed Hemp Inc. and MariMed Inc. to SYYM LLC (j)
4.3	Common Stock Purchase Warrant, dated June 24, 2020, issued by MariMed Inc. to SYYM LLC (k)
4.4	Amended and Restated Senior Secured Commercial Promissory Note, dated October 19, 2020, in the principal amount of \$5,845,000, issued by MariMed Advisors, Inc. to Best Buds Funding LLC (m)
4.5	Amended and Restated Senior Secured Commercial Promissory Note, dated October 19, 2020, in the principal amount of \$3,000,000, issued by MariMed Advisors, Inc. to Best Buds Funding LLC (m)
4.6	Common Stock Purchase Warrant, dated September 30, 2020, issued by MariMed Inc. to Best Buds Funding, LLC. and/or its designees (m)
4.7	Amended and Restated Common Stock Purchase Warrant, dated March 18, 2021, issued by MariMed Inc. to Hadron Healthcare Master Fund (q)
4.8	Third Amended and Restated Promissory Note, dated April 1, 2021, in the principal amount of \$3,211,653.84, issued by MariMed Hemp Inc. and MariMed Inc. to SYYM LLC (r)
10.1	Amended and Restated 2018 Stock Award and Incentive Plan (d)
10.1.1	Amendment to the Amended and Restated 2018 Stock Award and Incentive Plan, effective as of September 23, 2021 (q)
10.2	Form of Stock Option Agreement, dated September 27, 2019, with each of David R. Allen, Eva Selhub, M.D., and Edward J. Gildea (e)
10.3	Amendment Agreement, dated as of February 10, 2020, between SYYM LLC, as noteholder and collateral agent, and MariMed Inc. and MariMed Hemp Inc., as co-borrowers (g)

10.4	Exchange Agreement, dated as of February 27, 2020, among MariMed Inc., Navy Capital Green Management, LLC, a Delaware limited liability company, as discretionary investment manager of Navy Capital Green Fund, LP, and Navy Capital Green Co-Invest Fund, LLC. (h)
10.5	Amendment Agreement dated June 24, 2020, between SYYM LLC, as noteholder and collateral agent, and MariMed Inc. and MariMed Hemp Inc., as co-borrowers (l)
10.6	Note Extension Agreement, effective as of September 30, 2020, among Best Buds Funding LLC, as lender, and each of MariMed Inc., Mari Holdings MD LLC, and MariMed Advisors Inc., as the borrower parties (n)
10.7	Securities Purchase Agreement, dated March 1, 2021, between MariMed Inc. and Hadron Healthcare Master Fund (q)
10.8	First Amendment to Securities Purchase Agreement, dated March 18, 2021, between MariMed Inc. and Hadron Healthcare Master Fund (q)
10.9	Amendment Agreement dated April 1, 2021, between SYYM LLC, as noteholder and collateral agent, and MariMed, Inc. and MariMed Hemp, Inc., as co-borrowers (r)
10.10 ***	Employment Agreement between MariMed Inc. and Robert Fireman, dated July 9, 2021 (s)
10.11 ***	Employment Agreement between MariMed Inc. and Jon R. Levine, dated July 9, 2021 (s)
10.12 ***	Employment Agreement between MariMed Inc. and Timothy Shaw, dated July 9, 2021 (s)
10.13 ***	Form of the First Amendment to the Employment Agreement, effective as of September 22, 2021, between MariMed Inc. and each of Robert Fireman, Jon R. Levine, and Timothy Shaw (q)
10.14 ***	Form of Stock Option Agreement, dated July 9, 2021, with each of Robert Fireman, Jon R. Levine, and Timothy Shaw (q)
10.15 ***	Form of Stock Option Agreement, dated October 1, 2021, with each of Robert Fireman, Jon R. Levine, and Timothy Shaw (q)
10.16	Settlement Agreement and General Release, dated August 19, 2021, between MariMed Inc. and Thomas Kidrin (q)
10.17	Membership Interest Purchase Agreement, dated December 31, 2021, between MariMed Inc. and Jennifer DiPietro, Susan Zimmerman and Sophia Leonard-Burns *
10.18	Membership Interest Purchase Agreement, dated December 31, 2021, between MariMed Advisors Inc. and Jennifer DiPietro *
21.1	List of subsidiaries *
23.1	Consent of M&K CPAS, PLLC, dated March 16, 2022 *
31.1.	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer *
31.2.	Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer *
32.1.	Section 1350 Certifications of Chief Executive Officer **
32.2.	Section 1350 Certifications of Chief Financial Officer **
101.INS XBRL	Instance Document *
101.SCH XBRL	Taxonomy Extension Schema *
101.CAL XBRL	Taxonomy Extension Calculation Linkbase *
101.DEF XBRL	Taxonomy Extension Definition Linkbase *
101.LAB XBRL	Taxonomy Extension Label Linkbase *
101.PRE XBRL	Taxonomy Extension Presentation Linkbase *
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) *

\* Filed herewith.

\*\* Furnished herewith in accordance with Item 601 (32)(ii) of Regulation S-K.

\*\*\* This exhibit is a management contract or compensatory plan or arrangement.

- (a) Previously filed as an exhibit to the Registration Statement on Form 10-12G (File No. 000-54433) filed on June 9, 2011 and incorporated herein by reference.
- (b) Previously filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2016, filed on April 17, 2017 and incorporated herein by reference.
- (c) Intentionally omitted.
- (d) Previously filed as Appendix A of the Company's Definitive Proxy Statement on Schedule 14A, filed on August 26, 2019 and incorporated herein by reference.
- (e) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended September 30, 2019, filed on November 29, 2019 and incorporated herein by reference.

- (f) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 12, 2020 and incorporated herein by reference.
- (g) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 12, 2020 and incorporated herein by reference.
- (h) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 27, 2020 and incorporated herein by reference.
- (i) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended March 31, 2020, filed on May 28, 2020 and incorporated herein by reference.
- (j) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 30, 2020 and incorporated herein by reference.
- (k) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 30, 2020 and incorporated herein by reference.
- (l) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 30, 2020 and incorporated herein by reference.
- (m) Previously filed as an exhibit to the Current Report on Form 8-K filed on October 26, 2020 and incorporated herein by reference.
- (n) Previously filed as an exhibit to the Current Report on Form 8-K filed on October 26, 2020 and incorporated herein by reference.
- (o) Previously filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 29, 2013 and incorporated herein by reference.
- (p) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 2, 2021 and incorporated herein by reference.
- (q) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended September 30, 2021 filed on November 15, 2021 and incorporated herein by reference.
- (r) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 23, 2021 and incorporated herein by reference.
- (s) Previously filed as an exhibit to the Current Report on Form 8-K filed on July 9, 2021 and incorporated herein by reference.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 16, 2022

MARIMED INC.  
(Registrant)

By: /s/ Robert Fireman

Name: Robert Fireman

Title: President and Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert Fireman</u> Robert Fireman	President and Chief Executive Officer (Principal Executive Officer)	March 16, 2022
<u>/s/ Jon R. Levine</u> Jon R. Levine	Chief Financial Officer (Principal Financial Officer)	March 16, 2022
<u>/s/ Eva Selhub</u> Eva Selhub	Director	March 16, 2022
<u>/s/ Edward Gildea</u> Edward Gildea	Director	March 16, 2022
<u>/s/ David Allen</u> David Allen	Director	March 16, 2022

## MARIMED INC.

### GENERAL INFORMATION

#### **EXECUTIVE OFFICERS**

Robert Fireman  
Chief Executive Officer and Chairman of the Board

Jon R. Levine  
President, Treasurer, Secretary and Director

Susan M. Villare  
Chief Financial Officer

Timothy Shaw  
Chief Operating Officer

#### **BOARD OF DIRECTORS**

Robert Fireman, Chairman of the Board

Jon R. Levine

David Allen <sup>(1)</sup> <sup>(5)</sup>

Edward Gildea <sup>(2)</sup> <sup>(3)</sup>

Eva Selhub, M.D. <sup>(4)</sup> <sup>(5)</sup>

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*(1) Chairman of the Audit Committee.*

*(2) Member of the Audit Committee.*

*(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.*

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#### **SHARES LISTED**

OTCQX

Trading Symbol – “MRMD”

Canadian Securities Exchange

Trading Symbol – “MRMD”

#### **CORPORATE & SECURITIES COUNSEL**

Kurzman Eisenberg Corbin & Lever, LLP

One North Broadway, 12<sup>th</sup> Floor

White Plains, New York 10601

#### **TRANSFER AGENT AND REGISTRAR**

Olde Monmouth Stock Transfer Co, Inc

200 Memorial Parkway

Atlantic Highlands, NJ 07716

Tel: 732-872-2727

#### **2022 ANNUAL MEETING OF**

#### **STOCKHOLDERS**

Hilton Boston/Dedham Hotel 25 Allied Drive,  
Dedham, MA 02026

Thursday, October 27, 2022 at 10:00 AM,  
EDT

#### **INDEPENDENT PUBLIC ACCOUNTANTS**

M&K CPAS, PLLC

363 N Sam Houston Parkway E Ste 650

Houston, TX 77060

#### **INVESTOR & MEDIA CONTACT:**

Capital Market Access LLC

25201 Paseo de Alicia, Ste#125

Laguna Hills, CA 92563

Email: [mrmd@cma.team](mailto:mrmd@cma.team)

Tel: (949) 432-7566