**Item 8. Financial Statements and Supplementary Data**

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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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, 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.

***Inventory***

As discussed in the notes to the financial statements, 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.

/s/ M&K CPAS, PLLC

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

Houston, TX
March XX, 2023

MariMed Inc.
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 9,737 | $ 29,683 |
| Accounts receivable, net of allowances of $4,603 and $41,401 at December 31, 2022 and 2021, respectively | 4,157 | 1,666 |
| Deferred rents receivable | 704 | 1,678 |
| Note receivable, current portion | 2,637 | 127 |
| Inventory | 19,477 | 9,768 |
| Investments, current | 123 | 251 |
| Due from related parties | 29 | — |
| Other current assets | 7,282 | 1,440 |
| Total current assets | 44,146 | 44,613 |
| Property and equipment, net | 71,641 | 62,150 |
| Intangible assets, net | 14,201 | 162 |
| Goodwill | 8,079 | 2,068 |
| Note receivable, net of current | 7,467 | 8,987 |
| Operating lease right-of-use assets | 4,931 | 5,081 |
| Finance right-of-use assets | 713 | 46 |
| Other assets | 1,024 | 98 |
| Total assets | $ 152,202 | $ 123,205 |
| | | |
| Liabilities, mezzanine equity and stockholders' equity | | |
| Current liabilities: | | |
| Mortgages and notes payable, current portion | $ 3,774 | $ 1,410 |
| Accounts payable | 6,626 | 5,099 |
| Accrued expenses and other | 3,091 | 3,149 |
| Income taxes payable | 11,489 | 16,467 |
| Operating lease liabilities, current portion | 1,273 | 1,071 |
| Finance lease liabilities, current portion | 237 | 27 |
| Total current liabilities | 26,490 | 27,223 |
| Mortgages and notes payable, net of current | 25,943 | 17,262 |
| Operating lease liabilities, net of current | 4,173 | 4,574 |
| Finance lease liabilities, net of current | 461 | 22 |
| Other liabilities | 100 | 100 |
| Total liabilities | 57,167 | 49,181 |

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Mezzanine equity: | | |
| Series B convertible preferred stock, $0.001 par value; 4,908,333 shares authorized, issued and outstanding at December 31, 2022 and 2021 | 14,725 | 14,725 |
| Series C convertible preferred stock, $0.001 par value; 12,432,432 shares authorized; 6,216,216 shares issued and outstanding at December 31, 2022 and 2021 | 23,000 | 23,000 |
| Total mezzanine equity | 37,725 | 37,725 |
| Stockholders' equity: | | |
| Undesignated preferred stock, $0.001 par value; 32,659,235 shares authorized; zero shares issued and outstanding at December 31, 2022 and 2021 | — | — |
| Common stock, $0.001 par value; 700,000,000 shares authorized; 341,474,728 and 334,030,348 shares issued and outstanding at December 31, 2022 and 2021, respectively | 341 | 334 |
| Common stock subscribed but not issued; 70,000 and zero shares at December 31, 2022 and 2021, respectively | 39 | — |
| Additional paid-in capital | 142,365 | 134,920 |
| Accumulated deficit | (83,924) | (97,392) |
| Noncontrolling interests | (1,511) | (1,563) |
| Total stockholders' equity | 57,310 | 36,299 |
| Total liabilities, mezzanine equity, and stockholders' equity | $ 152,202 | $ 123,205 |

See accompanying notes to the consolidated financial statements.

MariMed Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Revenue | $ 134,010 | $ 121,464 |
| Cost of revenue | 70,053 | 55,201 |
| Gross profit | 63,957 | 66,263 |
| | | |
| Operating expenses: | | |
| Personnel | 14,404 | 8,352 |
| Marketing and promotion | 3,736 | 1,625 |
| General and administrative | 20,735 | 27,561 |
| Acquisition-related and other | 961 | — |
| Bad debt | 3,752 | 1,862 |
| Total operating expenses | 43,588 | 39,400 |
| | | |
| Income from operations | 20,369 | 26,863 |
| | | |
| Interest and other (expense) income: | | |
| Interest expense | (1,693) | (2,356) |
| Interest income | 959 | 109 |
| Other expense, net | (127) | (800) |
| Total interest and other expense, net | (861) | (3,047) |
| | | |
| Income before income taxes | 19,508 | 23,816 |
| Provision for income taxes | 5,894 | 16,192 |
| Net income | 13,614 | 7,624 |
| Less: Net income attributable to noncontrolling interests | 146 | 399 |
| Net income attributable to common stockholders | $ 13,468 | $ 7,225 |
| | | |
| Net income per share attributable to common stockholders: | | |
| Basic | $ 0.04 | $ 0.02 |
| Diluted | $ 0.04 | $ 0.02 |
| | | |
| Weighted average common shares outstanding: | | |
| Basic | 337,697 | 326,467 |
| Diluted | 380,289 | 372,397 |

See accompanying notes to consolidated financial statements.

# MariMed Inc.
## Consolidated Statements of Stockholders' Equity
## (in thousands, except share amounts)

| | 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 January 1, 2021** | 314,418,812 | $ 314 | 11,413 | $ 5 | $ 112,975 | $ (104,617) | $ (577) | $ 8,100 |
| Issuance of subscribed shares | 11,413 | | (11,413) | (5) | 5 | | | — |
| Release of shares under stock grants | 256,591 | | | | 235 | | | 235 |
| Exercise of stock options | 277,373 | | | | 38 | | | 38 |
| Exercise of warrants | 980,062 | 1 | | | 92 | | | 93 |
| Amortization of option grants | | | | | 12,494 | | | 12,494 |
| Issuance of stand-alone warrants | | | | | 832 | | | 832 |
| Issuance of warrants with stock | | | | | 655 | | | 655 |
| Conversion of debentures payable to equity | 4,610,645 | 5 | | | 1,352 | | | 1,357 |
| Conversion of promissory notes to equity | 11,399,268 | 11 | | | 3,810 | | | 3,821 |
| Common stock issued to settle obligations | 71,691 | | | | 54 | | | 54 |
| Common stock issued to purchase property and equipment | 750,000 | 1 | | | 704 | | | 705 |
| Fees paid with stock | 1,234,308 | 2 | | | 1,106 | | | 1,108 |
| Common stock returned to the Company | (79,815) | | | | (10) | | | (10) |
| Equity issuance costs | | | | | (387) | | | (387) |
| Acquisition of interest in subsidiary | 100,000 | | | | 965 | | (975) | (10) |
| Distributions to noncontrolling interests | | | | | | | (410) | (410) |
| Net income | | | | | | 7,225 | 399 | 7,624 |
| **Balances at December 31, 2021** | 334,030,348 | $ 334 | — | $ — | $ 134,920 | $ (97,392) | $ (1,563) | $ 36,299 |
| Release of shares under stock grants | 402,203 | | | | | | | — |
| Exercise of stock options | 55,000 | | | | 10 | | | 10 |
| Cashless exercise of stock options | 200,000 | | | | | | | — |
| Cashless exercise of warrants | 317,298 | | | | | | | — |
| Forfeiture of restricted shares | (32,609) | | | | | | | — |
| Conversion of promissory notes to common stock | 1,142,858 | 1 | | | 399 | | | 400 |
| Common stock issued to settle obligations | 375,000 | — | | | 275 | | | 275 |
| Common stock issued under licensing agreement | 218,345 | | | | 121 | | | 121 |
| Common stock issued to purchase property and equipment | 422,535 | 1 | | | 299 | | | 300 |
| Common stock issued as purchase consideration - Green Growth Group Inc. | 2,343,750 | 3 | | | 1,497 | | | 1,500 |
| Common stock issued as purchase consideration - Greenhouse Naturals LLC | 2,000,000 | 2 | | | 710 | | | 712 |
| Purchase of minority interests in certain of the Company's subsidiaries | | | | | (2,165) | | 165 | (2,000) |
| Distributions to noncontrolling interests | | | | | | | (259) | (259) |
| Stock-based compensation | | | 70,000 | 39 | 6,299 | | | 6,338 |
| Net income | | | | | | 13,468 | 146 | 13,614 |
| **Balances at December 31, 2022** | 341,474,728 | $ 341 | 70,000 | $ 39 | $ 142,365 | $ (83,924) | $ (1,511) | $ 57,310 |

See accompanying notes to the consolidated financial statements.

MariMed Inc.
Consolidated Statements of Cash Flows
(in thousands)

| | Year Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Cash flows from operating activities: | | |
| Net income attributable to common stockholders | $ 13,468 | $ 7,225 |
| Net income attributable to noncontrolling interests | 146 | 399 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment | 3,432 | 2,098 |
| Amortization of intangible assets | 1,282 | 690 |
| Stock-based compensation | 6,338 | 13,440 |
| Amortization of standalone warrant issuances | — | 776 |
| Amortization of warrants attached to debt | — | 539 |
| Amortization of beneficial conversion feature | — | 177 |
| Amortization of original issue discount | — | 52 |
| Bad debt expense | 3,752 | 1,862 |
| Obligations settled with common stock | 696 | 1,108 |
| Loss on obligations settled with equity | — | 3 |
| Gain on sale of investment | — | (309) |
| Loss on changes in fair value of investments | 1,082 | 1,107 |
| Other investment income | (954) | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,902) | (4,697) |
| Deferred rents receivable | 132 | 262 |
| Inventory | (5,383) | (2,937) |
| Other current assets | (5,219) | (868) |
| Other assets | (126) | (17) |
| Accounts payable | 1,027 | 105 |
| Accrued expenses and other | (482) | (732) |
| Income taxes payable | (4,978) | 15,572 |
| Net cash provided by operating activities | 7,311 | 35,855 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (12,140) | (17,874) |
| Business acquisitions, net of cash acquired | (12,847) | — |
| Advances toward future business acquisitions | (800) | — |
| Acquisition of interest in subsidiary | — | (10) |
| Purchases of cannabis licenses | (601) | (692) |
| Proceeds from sale of investment | — | 1,475 |
| Proceeds from notes receivable | 173 | 477 |
| Due from related parties | (29) | — |
| Net cash used in investing activities | (26,244) | (16,624) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of preferred stock | — | 23,000 |
| Equity issuance costs | — | (387) |
| Proceeds from issuance of promissory notes | — | 35 |

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Principal payments of mortgages and promissory notes | (1,537) | (16,424) |
| Proceeds from mortgages | 3,000 | 2,700 |
| Proceeds from exercise of stock options | 10 | 39 |
| Proceeds from exercise of warrants | — | 93 |
| Repayment of loans from related parties | — | (1,158) |
| Principal payments of finance leases | (227) | (35) |
| Redemption of minority interests | (2,000) | — |
| Distributions | (259) | (410) |
| Net cash (used in) provided by financing activities | (1,013) | 7,453 |
| | | |
| Net (decrease) increase to cash and cash equivalents | (19,946) | 26,684 |
| Cash and cash equivalents at beginning of year | 29,683 | 2,999 |
| Cash and cash equivalents at end of year | $ 9,737 | $ 29,683 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 1,744 | $ 1,975 |
| Cash paid for income taxes | $ 14,567 | $ 621 |
| | | |
| **Non-cash activities:** | | |
| Trade receivables converted to notes receivable | $ 750 | $ 7,844 |
| Purchases of property and equipment with common stock | $ 300 | $ 705 |
| Conversion of promissory notes | $ 400 | $ 3,821 |
| Promissory note issued as purchase consideration | $ 4,348 | $ — |
| Entry into new operating leases | $ 661 | $ 466 |
| Entry into new finance leases | $ 794 | $ — |
| Conversion of debentures payable | $ — | $ 1,356 |
| Common stock issued as purchase consideration | $ 2,212 | $ 975 |
| Common stock issued to settle obligations | $ 275 | $ 51 |
| Common stock issued under licensing agreement | $ 121 | $ — |
| Issuance of common stock associated with subscriptions | $ — | $ 5 |
| Return of common stock to the Company | $ — | $ 10 |

See accompanying notes to the consolidated financial statements.

## (1) NATURE OF THE BUSINESS

MariMed Inc. (the “Company” or "MariMed") is a multi-state operator in the United States cannabis industry. MariMed develops, operates, manages and optimizes state-of-the-art, regulatory-compliant facilities for the cultivation, production and dispensing of medical and adult-use cannabis. MariMed also licenses its proprietary brands of cannabis products along with other top brands in domestic markets.

## (2) BASIS OF PRESENTATION AND 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”).

On April 27, 2022 (the “Kind Acquisition Date”), the Company acquired Kind Therapeutics USA (“Kind”), the Company's former client in Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis (the “Kind Acquisition”). The financial results of Kind are included in the Company's consolidated financial statements for the periods subsequent to the Kind Acquisition Date.

On May 5, 2022 (the "Green Growth Acquisition Date"), the Company completed the acquisition of 100% of the equity ownership of Green Growth Group Inc. (“Green Growth”), an entity that holds a craft cultivation and production cannabis license in the state of Illinois (the “Green Growth Acquisition”). The financial results of Green Growth are included in the Company's consolidated financial statements for the period subsequent to the Green Growth Acquisition Date.

On December 30, 2022 (the "Greenhouse Naturals Acquisition Date"), the Company completed an asset purchase under which it acquired the cannabis license and assumed a property lease for a dispensary in Beverly, Massachusetts that had never been operational.

Certain reclassifications, not affecting previously reported net income or cash flows, have been made to the previously issued financial statements to conform to the current period presentation.

### Significant Accounting Policies

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of MariMed Inc. and its majority-owned subsidiaries. All intercompany transactions and balances have been eliminated.

| Subsidiary | Percentage Owned |
|---|---|
| MariMed Advisors Inc. | 100.0 % |
| Mia Development LLC | 94.3 % |
| Mari Holdings IL LLC | 100.0 % |
| Mari Holdings MD LLC | 99.7 % |
| 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 % |
| MMMO LLC | 100.0 % |
| Green Growth Group Inc. | 100.0 % |

***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.

***Use of Estimates and Judgments***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenue and expenses during the reporting periods. Significant estimates and judgments relied upon in preparing these consolidated financial statements include accounting for business combinations, inventory valuations, assumptions used to determine the fair value of stock-based compensation, and intangible assets and goodwill. The Company regularly assesses these estimates and records change in estimates in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from those estimates or assumptions.

***Business Combinations***

The Company recognizes identifiable assets acquired and liabilities assumed at fair value on the date of acquisition. Goodwill is measured as the excess of consideration transferred over the net fair values of the assets acquired and the liabilities assumed and represents the expected future economic benefits arising from other assets acquire in the business combination that are not individually identified and separately recognized. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill to the extent that it identifies adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired and liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

***Asset Purchases***

The Company accounts for an acquisitive transaction determined to be an asset purchase based on the cost accumulation and allocation method, under which the costs to purchase the asset or set of assets are allocated to the assets acquired. No goodwill is recorded in connection with an asset purchase.

***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, 2022, the Company had $0.1 million of cash held in escrow. At December 31, 2021, the Company had $5.1 million of cash held in escrow related to planned business acquisitions, which was primarily comprised of a $5.0 million escrow deposit in connection with the Kind Acquisition (see Note 3).

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.

***Fair Value of Financial Instruments***

The carrying amounts of the Company's financial instruments approximate their fair values and include cash equivalents, accounts receivable, deferred rents receivable, notes receivable, investments, mortgages and notes payable, and accounts payable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participant would use in pricing an asset or a liability. The three-tier fair value hierarchy is based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

- *Level 1*. Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

- *Level 2*. Level 2 applies to assets or liabilities for which there are inputs that are directly or indirectly observable in the marketplace, such as quoted price for similar assets or liabilities in active markets or quoted price for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets).

- *Level 3*. Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

***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 $4.6 million and $41.4 million at December 31, 2022 and 2021, respectively. The amount recorded at December 31, 2021 was comprised of $29.0 million to fully reserve a related party trade receivable from GenCanna Global Inc. ("GenCanna") (see Note 21), $11.3 million reserved against a related party trade receivable from Kind (the "Kind Reserve") and $1.1 million reserved against the Company's other trade accounts receivable. The Company wrote off the trade receivable from GenCanna against the reserve in 2022, and the Kind Reserve was eliminated as part of the purchase accounting related to the Kind Acquisition (see Note 3).

***Inventory***

Inventory is carried at the lower of cost or net realizable value, with the cost being determined on a first-in, first-out 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 holdings of public 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* ("ASC 606"), as amended by subsequently issued Accounting Standards Updates. ASC 606 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 (retail and wholesale) – direct sales of cannabis and cannabis-infused products by the Company's retail dispensaries and wholesale operations. This revenue is recognized when products are delivered or at retail points-of-sale.

- Real estate rental income – rental income 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. Prior to the third quarter of 2022, the Company charged additional rental fees based on a percentage of tenant revenues that exceeded specific amounts; these incremental rental fees were eliminated in connection with new contract negotiations with the Company's client.

- Supply procurement – resale of cultivation and production resources, supplies and equipment that the Company has acquired from top national vendors at discounted prices to its client and third parties within the cannabis industry. The Company recognizes this revenue after the delivery and acceptance of goods by the purchaser.

- Management fees – fees for providing the Company's cannabis clients with comprehensive oversight of their cannabis cultivation, production and dispensary operations. Prior to the third quarter of 2022, these fees are based on a percentage of such clients' revenue and are recognized after services have been performed; these fees were eliminated in connection with new contract negotiations with the Company's client.

- Licensing fees – revenue from the licensing of the Company's branded products, including Betty's Eddies, Bubby's Baked, Vibations and Kalm Fusion, to wholesalers and to regulated dispensaries throughout the United States and Puerto Rico. The Company recognizes this revenue 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 of, 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, thirty-nine to forty years; tenant improvements, the lesser of the remaining duration of the related lease or the asset useful life; furniture and fixtures, seven to ten years; machinery and equipment, seven to ten years. Land is not depreciated.

Software development costs associated with internal use software are incurred in three stages of development: the preliminary project stage, the application development stage and the post-implementation stage. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Certain qualifying costs incurred during the application development stage are capitalized as property and equipment. Internal use software is amortized on a straight-line basis over its estimated useful life of five to seven years, beginning when the software is ready for its intended use.

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, 2022 and 2021, based on the results of management's impairment analyses, there were no impairment losses.

***Intangible Assets and Goodwill***

The Company's intangible assets are comprised of trade names and trademarks, license and customer and non-compete agreements. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable based upon the estimated undiscounted cash flows. Recoverability of intangible assets with estimated lives and other long-lived assets is measured by a comparison of the carrying amount of an asset or asset group to future net undiscounted cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the Company will recognize an impairment loss for the amount by which the carrying value of the asset or asset group exceeds the related estimated fair value. Estimated fair value is based on either discounted future operating cash flows or appraised values, depending on the nature of the asset. The Company amortizes its intangible assets over their respective useful lives. For the years ended December 31, 2022 and 2021, there was no impairment of goodwill.

***Leases***

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 lease 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.

***Stock-Based Compensation***

The Company's stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which generally corresponds with the vesting period. The Company uses the Black-Scholes valuation model for estimating the fair value of stock options on the date of grant. The fair value of stock option and warrant issuances is affected by the Company's stock price on the issuance date as well as valuation assumptions, including the volatility of the Company's common stock price, expected term of the option, risk-free interest rate and expected dividends.

The expected life of an instrument is calculated using the simplified method, 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, warrant issuances and restricted stock units 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.

***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 recognizes in the financial statements the benefit of a tax position which is "more likely than not" to be sustained under examination based solely on the technical merits of the position, assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Company's policy is to recognize interest and penalties related to the unrecognized tax benefits, if any, as a component of income tax expense.

Certain of the Company's subsidiaries, due to their cannabis activities, 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 periods covered in the financial statements.

***Commitments and Contingencies***

The Company regularly assesses 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 any 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.

**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.

### (3) BUSINESS COMBINATIONS AND ASSET PURCHASES

**Kind**

In December 2021, the Company entered into a membership interest purchase agreement with the members of Kind (the "Kind Sellers") to acquire 100% of the equity ownership of Kind. Kind was the Company's client in Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis. Upon execution of the membership interest purchase agreement, the Company deposited $5.0 million into escrow as a contract down payment. In April 2022, the Maryland Medical Cannabis Commission approved the Company's acquisition of Kind, and the acquisition was completed on the Kind Acquisition Date (the "Kind Acquisition"). As consideration for Kind, the Company paid the Kind Sellers $13.1 million, which amount was reduced by $2.3 million of cash acquired (together, the "Kind Cash Consideration"), and issued four-year 6.0% promissory notes in the aggregate principal amount of $6.5 million to the Kind Sellers, secured by a first priority lien on the Company's property in Hagerstown, MD (the "Kind Notes" and, together with the "Kind Cash Consideration, the "Kind Consideration"). The Kind Acquisition has allowed the Company to expand its operations into the Maryland cannabis industry and marketplace.

The Kind Acquisition has been accounted for as a business combination and the financial results of Kind have been included in the Company's consolidated financial statements for the period subsequent to the Kind Acquisition Date. The Company's financial results for the year ended December 31, 2022 include $8.1 million of revenue and a net loss of $1.5 million attributable to Kind. A summary of the preliminary allocation of Kind Consideration to the acquired assets, identifiable intangible assets and certain assumed liabilities at December 31, 2022 is as follows (in thousands):

| | | |
|---|---|---|
| Fair value of consideration transferred: | | |
| Cash consideration: | | |
| Cash paid at closing | $ | 10,128 |
| Release of escrow | | 2,444 |
| Severance paid from escrow | | 556 |
| Less cash acquired | | (2,310) |
| Net cash consideration | | 10,818 |
| Note payable | | 5,634 |
| Write-off of accounts receivable | | 658 |
| Write-off of deferred accounts receivable | | 842 |
| Total fair value of consideration transferred | $ | 17,952 |
| | | |
| Fair value of assets acquired and (liabilities assumed): | | |
| Current assets, net of cash acquired | $ | 5,047 |
| Property and equipment | | 622 |
| Intangible assets: | | |
| Trade name and trademarks | | 2,041 |
| Licenses and customer base | | 4,700 |
| Non-compete agreements | | 42 |
| Goodwill | | 6,011 |
| Current liabilities | | (511) |
| Fair value of net assets acquired | $ | 17,952 |

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to value the acquired trade name/trademarks, licenses/customer base, and non-compete intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of new markets, products and customers and its outcome through key assumptions driving asset values, including sales growth, royalty rates and other related costs.

The Company is amortizing the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives, which have a weighted average life of 5.77 years (see Note 10). Goodwill resulted from assets that were not separately identifiable as part of the transaction and was not deductible for tax purposes.

Concurrent with entering into the Kind membership purchase agreement, 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. Upon the dismissal in September 2022 of the derivative claims in the DiPietro lawsuit (see Note 21), the Company paid the aggregate purchase consideration of $2.0 million, and the transaction was completed, increasing the Company's ownership of Mari-MD and Mia to 99.7% and 94.3%, respectively.

***Pro Forma Results***

The following unaudited pro forma information presents the condensed combined results of MariMed and Kind for the years ended December 31, 2022 and 2021 as if the Kind Acquisition had been completed on January 1, 2021, with adjustments to give effect to pro forma events that are directly attributable to the Kind Acquisition. These pro forma adjustments include the reversal of MariMed revenue and related cost of sales derived from Kind prior to the Kind Acquisition Date, amortization expense for the acquired intangible assets, depreciation expense for property and equipment acquired by MariMed as part of the Kind Acquisition, and interest expense related to the Kind Notes. Pro forma adjustments also include the elimination of acquisition-related and other expense directly attributable to the Kind Acquisition from the year ended December 31, 2022 and inclusion of these expenses in the year ended December 31, 2021.

The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings that may result from the consolidation of the operations of MariMed and Kind. Accordingly, these unaudited pro forma results are presented for illustrative purposes and are not intended to represent or be indicative of the actual results of operations of the combined company that would have been achieved had the Kind Acquisition occurred at the beginning of the period presented or are they intended to represent or be indicative of future results of operations (in thousands):

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (unaudited) | |
| Revenue | 136,078 | 131,658 |
| Net income | 15,823 | 16,627 |

**Green Growth Group Inc.**

In January 2022, the Company entered into a stock purchase agreement to acquire 100% of the equity ownership of Green Growth Group Inc. ("Green Growth"), an entity that holds a craft cultivation and production cannabis license issued by the Illinois Department of Agriculture, in exchange for cash of $1.9 million and shares of the Company's common stock valued at $1.5 million. Concurrently, the Company made a good faith deposit of $0.1 million.

In April 2022, the Illinois Department of Agriculture approved the Company's acquisition of Green Growth, and the purchase transaction (the "Green Growth Acquisition") was completed on May 5, 2022 (the "Green Growth Acquisition Date"). The Company paid the remaining $1.8 million in cash and issued 2,343,750 shares of MariMed common stock to the sellers on the Green Growth Acquisition Date. With this license, the Company can cultivate up to 14,000 square feet of cannabis flowers and produce cannabis concentrates. The Company believes that the acquisition of this cannabis license will allow it to be vertically integrated in Illinois by growing cannabis and producing cannabis products that can be distributed and sold at the Company-owned Thrive dispensaries and sold into the robust Illinois wholesale cannabis marketplace.

The Company has allocated the purchase price to its licenses/customer base intangible asset. The Company recorded $0.2 million of amortization expense for the year ended December 31, 2022 for the intangible asset acquired, based on an estimated ten-year life for such asset.

**Greenhouse Naturals LLC**

In November 2021, the Company entered into an asset purchase agreement with Greenhouse Naturals LLC (the "Greenhouse Naturals Sellers") to acquire the cannabis license and assume the property lease associated with a cannabis dispensary in Beverly, MA. The purchase price was comprised of 2,000,000 shares of the Company's common stock

payable at closing and $5.1 million in cash, with $5.0 million of the cash amount payable post-closing on a monthly basis as a percentage of the dispensary's monthly gross sales.

The purchase transaction (the "Greenhouse Naturals Acquisition") was completed on December 30, 2022 (the "Greenhouse Naturals Acquisition Date"). The Company paid $0.1 million of cash and issued 2,000,000 shares of the Company's common stock, with a fair value of $0.7 million on the Greenhouse Naturals Acquisition Date, to the Sellers. The Company issued a note to the Greenhouse Naturals Sellers for the remaining $5.0 million of the cash purchase price (the "Greenhouse Naturals Note"), and has recorded the Greenhouse Naturals Note at present value of $4.3 million. The difference between the face value of the Greenhouse Naturals Note and the net present value recorded will be amortized to interest expense over the term of the note. Upon final inspection by the State of Massachusetts, the dispensary will be able to open, and the Company hopes that this will occur in the first half of 2023. The Company has allocated the purchase price to a licenses/customer base intangible asset, which has an estimated useful life of 10 years.

**MediTaurus LLC**

In 2019, the Company acquired a 70.0% ownership interest in MediTaurus LLC ("MediTaurus), a developer of CBD products sold under the Florance brand name, in exchange for stock and cash aggregating $2.8 million. 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 on the date such remaining ownership interest was acquired, and as there was no change in control of MediTaurus from this transaction, the resulting gain on the bargain purchase was recognized in Additional paid-in capital in the consolidated balance sheets. As part of this transaction, the initial purchase agreement was amended, eliminating all future license fees and payments to the prior owners of MediTaurus. The Company has since discontinued sales of its MediTaurus products.

**Pending Acquisitions**

***Allgreens Dispensary, LLC ("Allgreens")***

In August 2022, the Company entered into an agreement to purchase 100% of the membership interests in Allgreens Dispensary, LLC (the "Allgreens Agreement"), a conditional adult-use cannabis dispensary license in Illinois for $2,250,000 of cash. Completion of the acquisition is dependent upon certain conditions, including resolution of any remaining legal challenges affecting nearly 200 social equity dispensary licenses, and regulatory approval of the acquisition. Once the acquisition is complete, which the Company expects to occur in 2023, the Company will have five adult-use dispensaries operating in Illinois.

Under the Allgreens Agreement, the Company made an initial advance payment of $250,000 to the Allgreens members, with additional cash payments aggregating $2.0 million to be made as specific milestones as defined in the Allgreens Agreement are reached. The Company will issue promissory notes for the final payment of $1.0 million, which is due at closing (the "Allgreens Notes"). The Allgreens Notes will mature one year from the date the dispensary may begin operating.

***Robust Missouri Process and Manufacturing 1, LLC ("Robust")***

In September 2022, the Company entered into an agreement to acquire 100% of the membership interests in Robust Missouri Processing and Manufacturing 1, LLC (the "Robust Agreement"), a Missouri wholesale and cultivator, for $0.7 million of cash. Completion of the acquisition is dependent upon obtaining all requisite approvals from the Missouri Department of Health and Senior Services, which is expected to occur in 2023. Under the Robust Agreement, the Company made an initial advance payment of $350,000 to the Robust members, with an additional payment of $350,000 to be made at closing.

**Cancelled Acquisition**

***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 purchase price was comprised of the issuance of (i) 1,000,000 shares of the Company’s common stock, in the aggregate, to two owners of

Harvest, as a good faith deposit, which were issued upon execution of the purchase agreement. The issued shares were recorded at par value. Such shares were restricted and a portion of these shares could be returned to the Company in the event the transaction did not close. In addition, $1.2 million of the Company's common stock would be issued at closing and 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 would be granted on the day prior to legislative approval of the transaction.

The acquisition was 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 would be transferred to the Company. There was no assurance that the closing conditions to the Company's acquisition of Harvest, including regulatory approval, would be achieved or that the acquisition would be consummated.

The regulatory approval process for license transfers in Nevada experienced significant delays as a result of multiple factors, including the impact of COVID. Additionally, the progress of this potential acquisition had been delayed as a result of actions taken by the Nevada Cannabis Control Board (the "CCB") relating to regulatory operating violations by Harvest. Harvest was unable to negotiate a settlement with the CCB to resolve these violations, which would have allowed it to proceed with the sale. In October 2022, the CCB issued an order approving the placement of a receiver to oversee Harvest and its licenses. The Company monitored the status of these regulatory matters, and ultimately determined that it should withdraw from the agreement to purchase Harvest, and submitted such request to the CCB. The CCB accepted the request by the Company, releasing the Company from the liabilities related to this cancelled transaction.

## (4) EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted net earnings per share is determined by using the weighted average number of common and dilutive common equivalent shares outstanding during the period, unless the effect is antidilutive.

The calculations of shares used to compute net earnings per share were as follows (in thousands):

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Weighted average shares outstanding - basic | 337,697 | 326,467 |
| Potential dilutive common shares | 42,592 | 45,930 |
| Weighted average shares outstanding - diluted | 380,289 | 372,397 |

## (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 prior to the third quarter of 2022, 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 in Deferred rents receivable in the consolidated balance sheets. Contingent rentals are recognized only after tenants' revenues are finalized and if such revenues exceed certain minimum levels.

The Company currently leases or previously leased 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 was leased to Kind prior to the Kind Acquisition Date.
- Massachusetts – a 138,000 square foot industrial property, of which approximately half of the available square footage was leased to a non-cannabis manufacturing company (the "Tenant") under a lease that expired in

February 2023. The Tenant currently continues to rent this space on a month-to-month basis.

The Company subleases the following properties:

- Delaware – a 4,000 square foot cannabis dispensary which is subleased to a cannabis-licensed client under a under a sublease that expires in April 2027.

- Delaware – a 100,000 square foot warehouse, of which the Company developed 60,000 square feet into a cultivation facility that is subleased to a cannabis-licensed client. The sublease expires in March 2030, with an option to extend the term for three additional five-year periods. The Company intends to develop the remaining space into a processing facility.

- Delaware – a 12,000 square foot cannabis production facility with offices which is subleased to a cannabis-licensed client. The sublease expires in January 2026 and contains an option to negotiate an extension at the end of the lease term.

The Company submitted invoices to its rental clients aggregating $3.0 million and $18.7 million in the years ended December 31, 2022 and 2021, respectively. The Company recognized rental revenue on a straight-line basis totaling $2.9 million and $20.4 million for the years ended December 31, 2022 and 2021, respectively.

Future minimum rental receipts for non-cancellable leases and subleases as of December 31, 2022 were as follows (in thousands):

| **Year ending December 31,** | |
|---|---|
| 2023 | $ 1,406 |
| 2024 | 1,349 |
| 2025 | 1,349 |
| 2026 | 1,218 |
| 2027 | 1,132 |
| Thereafter | 4,537 |
| Total | $ 10,991 |

## (6) NOTES RECEIVABLE

Notes receivable, including accrued interest, at December 31, 2022 and 2021, was comprised of the following (in thousands):

| | **December 31** | |
|---|---|---|
| | **2022** | **2021** |
| First State Compassion Center (FSCC Initial Note) | $ 328 | $ 403 |
| First State Compassion Center (FSCC Secondary Notes) | 8,160 | 7,845 |
| First State Compassion Center (FSCC New Note) | 750 | — |
| Healer LLC | 866 | 866 |
| Total notes receivable | 10,104 | 9,114 |
| Less: Notes receivable, current portion | (2,637) | (127) |
| Notes receivable, net of current | $ 7,467 | $ 8,987 |

### 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 for $0.7 million, bearing interest at a rate of 12.5% per annum and maturing in April 2026, as amended (the "FSCC Initial Note"). The monthly payments on the FSCC Initial Note approximate $10,000. At December 31, 2022 and 2021, the current portions of the FSCC Initial Note approximated $85,000 and $75,000, respectively, and were included in Notes receivable, current, in the consolidated balance sheets.

In December 2021, the Company converted financed trade accounts receivable balances from FSCC aggregating $7.8 million into notes receivable, whereby FSCC issued promissory notes to the Company aggregating $7.8 million (the "FSCC Secondary Notes"). The FSCC Secondary Notes bear interest of 6.0% per annum and mature in December 2025. FSCC is required to make periodic payments of principal and interest throughout the term of the FSCC Secondary Notes. At December 31, 2022, the FSCC Secondary Notes included approximately $49,000 of unpaid accrued interest. The increase in the FSCC Secondary Notes in the year ended December 31, 2022 was attributable to the accreted interest, which increased the value of such notes. The current portion of the FSCC Secondary Notes aggregated $2.5 million at December 31, 2022. The entire balance of the FSCC Secondary Notes was long-term at December 31, 2021.

In December 2022, the Company converted a short-term loan and other receivable balances from FSCC aggregating $750,000 into a note receivable, whereby FSCC issued a promissory note to the Company for $750,000 (the "FSCC New Note"). The FSCC New Note bears interest of 6.0% per annum and matures in December 2026. FSCC is required to make quarterly interest payments, with the full amount of principal due on December 31, 2026. At December 31, 2022, the entire balance of the FSCC New Note was long-term.

**Healer LLC**

In March 2021, the Company was issued a promissory note in the principal amount of approximately $894,000 (the "Revised Healer Note") from Healer LLC, an entity that provides cannabis education, dosage programs, and products developed by Dr. Dustin Sulak ("Healer"). The principal balance of the note represents previous loans extended to Healer by the Company totaled $800,000, plus approximately $94,000 of accrued interest through the Revised Healer Note issuance date. The Revised Healer Note bears interest of 6.0% per annum and requires quarterly payments of interest through its April 2026 maturity date.

The Company has the right to offset any licensing fees payable by the Company to Healer 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 Healer Note, reducing the principal amount to approximately $866,000.

At each of December 31, 2022 and 2021, the total amounts of principal and accrued interest due under the Revised Healer Note were approximately $866,000, of which approximately $52,000 was current.

**High Fidelity Inc.**

In August 2021, a $250,000 loan, which bore interest of 10.0% per annum, to High Fidelity inc., an entity with cannabis operations in the State of Vermont, was repaid in full.

## (7) INVENTORY

Inventory at December 31, 2022 and 2021 consisted of the following (in thousands):

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Plants | $ 2,653 | $ 1,015 |
| Ingredients and other raw materials | 3,255 | 262 |
| Work-in-process | 7,635 | 4,661 |
| Finished goods | 5,934 | 3,830 |
| Total inventory | $ 19,477 | $ 9,768 |

**(8) INVESTMENTS**

The Company's investments at December 31, 2022 and 2021 were all classified as current and were comprised of the following (in thousands):

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Flowr Corp. | $ — | $ 251 |
| WM Technology Inc. | 123 | — |
| Total investments | $ 123 | $ 251 |

The Company did not have any noncurrent investments at December 31, 2022 or 2021.

**Flowr Corp. (formerly Terrace Inc.)**

In December 2021, 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 (the "Flowr Investment").

The investment in Flowr was carried at fair value, with changes in fair value recorded as a component of Other expense, net, in the consolidated statements of operations. The Company recorded losses of $0.3 million and $1.1 million in the years ended December 31, 2022 and 2021, respectively. The loss recorded in the year ended December 31, 2022 is comprised of the loss on the change in the Flowr Investment for the year, plus the $61,000 write-off of the remaining fair value of the Flowr Investment in December 31, 2022 arising from Flowr's bankruptcy filing and delisting from the exchanges on which it traded. The loss recognized in the year ended December 31, 2021 represented the change in the fair value of the investment in Flowr for that year.

**WM Technology Inc. (formerly MembersRSVP LLC)**

In January 2021, the Company and MembersRSVP LLC, an entity that develops cannabis-specific software ("MRSVP), in which the Company owned a 23.0% membership interest, entered into an agreement under which the Company returned membership interests comprising 11.0% ownership in MRSVP in exchange for a release of the Company from any further obligation to make any incremental investments or payments to MRSVP 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 MSRVP's board of directors. As a result, the Company no longer had the ability to exercise significant influence over MRSVP, and accordingly, as of January 1, 2021, the Company discontinued accounting for this investment under the equity method.

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 $1.5 million, representing the Company’s pro rata share of the cash consideration received by MRSVP upon the closing of the transaction. The cash proceeds reduced the Company's MRSVP investment balance to zero and resulted in a gain of $0.3 million, which was reported as a component of Other expense, net, in the Company's consolidated statement of operations for the year ended December 31, 2021.

In February 2022, the Company received 121,698 shares of common stock of WM Technology Inc. (the "MAPS Shares"), a technology and software infrastructure provider to the cannabis industry, which represented the Company's pro rata share of the additional consideration received by MRSVP pursuant to the asset purchase agreement, which had a fair value of approximately $953,000 at the time of receipt. The Company recognized a loss of $0.8 million in the year ended December 31, 2022, which is included as a component of Other (expense) income, net, in the consolidated statement of operations. This amount represents the decrease in the fair value of the MAPS Shares for the period from the Company's receipt of such shares in February 22, 2022 through December 31, 2022.

## (9) PROPERTY AND EQUIPMENT

The Company's property and equipment, net, at December 31, 2022 and 2021 was comprised of the following (in thousands):

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Land | $ 4,450 | $ 4,450 |
| Buildings and building improvements | 43,542 | 35,231 |
| Tenant improvements | 17,016 | 9,745 |
| Furniture and fixtures | 2,009 | 1,888 |
| Machinery and equipment | 10,087 | 7,221 |
| Construction in progress | 4,761 | 10,569 |
| | 81,865 | 69,104 |
| Less: accumulated depreciation | (10,224) | (6,954) |
| Property and equipment, net | $ 71,641 | $ 62,150 |

During the years ended December 31, 2022 and 2021, additions to property and equipment totaled $12.4 million and $18.6 million, respectively. Of the additions to property and equipment, $0.3 million and $0.7 million of such additions in the years ended December 31, 2022 and 2021, respectively, were paid for by the issuance of Company common stock.

Depreciation expense for the years ended December 31, 2022 and 2021 was $3.4 million and $2.1 million, respectively.

## (10) INTANGIBLE ASSETS AND GOODWILL

The Company's acquired intangible assets at December 31, 2022 consisted of the following (in thousands):

| | Weighted average amortization period (years) | Cost | Accumulated amortization | Net carrying value |
|---|---|---|---|---|
| Trade name and trademarks | 3.00 | $ 2,041 | $ 453 | $ 1,588 |
| Licenses and customer base | 8.94 | 13,260 | 675 | 12,585 |
| Non-compete agreements | 2.00 | 42 | 14 | 28 |
| | 8.13 | $ 15,343 | $ 1,142 | $ 14,201 |

Estimated future amortization expense for the Company’s intangible assets at December 31, 2022 was as follows (in thousands):

| Year ending December 31, | |
|---|---|
| 2023 | $ 2,228 |
| 2024 | 2,214 |
| 2025 | 1,755 |
| 2026 | 1,527 |
| 2027 | 1,527 |
| Thereafter | 4,950 |
| Total | $ 14,201 |

The changes in the carrying value of the Company's goodwill in the years ended December 31, 2022 and 2021 were as follows (in thousands):

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Balance at January 1, | $ 2,068 | $ 2,068 |
| Kind Acquisition | 6,011 | — |
| Balance at December 31, | $ 8,079 | $ 2,068 |

Goodwill is reviewed on an annual basis for impairment. Based on these reviews and other factors, the Company determined there was no goodwill impairment in the years ended December 31, 2022 and 2021.

## (11) MORTGAGES AND NOTES PAYABLE

### Mortgages

The Company's mortgage balances at December 31, 2022 and 2021 were comprised of the following (in thousands):

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Bank of New England<br>New Bedford, MA and Middleborough, MA properties | $ 12,141 | $ 12,499 |
| Bank of New England<br>Wilmington, DE property | 1,345 | 1,463 |
| DuQuoin State Bank<br>Anna, IL and Harrisburg, IL properties | 750 | 778 |
| DuQuoin State Bank<br>Metropolis, IL property | 2,508 | 2,658 |
| DuQuoin State Bank<br>Mt. Vernon, IL property | 2,974 | — |
| South Porte Bank<br>Mt. Vernon, IL property | 801 | 816 |
| Total mortgages payable | 20,519 | 18,214 |
| Less: Mortgages payable, current portion | (1,491) | (1,400) |
| Mortgages payable, net of current | $ 19,028 | $ 16,814 |

In November 2017, the Company entered into a 10-year mortgage agreement with Bank of New England in the amount of $4.9 million (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 $4.8 million, the parties consummated an amended and restated mortgage agreement, secured by the Company's properties in New Bedford, MA and Middleborough, MA in the amount of $13.0 million and bearing interest 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 described below. The outstanding principal balance of the Refinanced Mortgage was $12.1 million and $12.5 million, respectively, at December 31, 2022 and 2021, of which approximately $382,000 and $358,000, respectively, was current.

The Company maintains another mortgage with Bank of New England for 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, with 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 2022, the interest rate on this mortgage remained at 5.25%. At December 31, 2022 and 2021, the outstanding principal balance on this mortgage was $1.3 million and $1.5 million, respectively, of which approximately $126,000 and $130,000, 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 5th of each year of the mortgage agreement, 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 2022 at a rate of 6.75% per annum. At December 31, 2022 and 2021, the outstanding principal balance on this mortgage approximated $750,000 and $778,000 respectively, of which approximately $36,000 and $33,000, 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 $0.7 million in the aggregate on the date of the transaction, and payoff of the seller's remaining mortgage of $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 rate 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, 2022 and 2021, the outstanding principal balance on this mortgage was $2.5 million and $2.7 million, respectively, of which approximately $77,000 and $73,000, respectively, was current.

In July 2022, Mari Holdings Mt. Vernon LLC, a wholly-owned subsidiary of the Company, entered into a $3.0 million loan agreement and mortgage with DSB secured by property owned in Mt. Vernon, IL, which the Company is developing into a grow and production facility (the "DSB Mt. Vernon Mortgage"). The DSPB Mt. Vernon Mortgage has a 20-year term and initially bears interest at the rate of 7.75%, subject to upward adjustment on each annual anniversary date to the Wall Street Journal U.S. Prime Rate (with an interest rate floor of 7.75%). The proceeds of the loan are being utilized for the build-out of the property and other working capital needs. The current portion of the DSB Mt Vernon Mortgage was approximately $68,000 at December 31, 2022.

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 2023, at which time all remaining principal, interest and fees shall be due.

**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") earlier in 2020. 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 $3.0 million in the aggregate, which the Company made in the first half of 2021.

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 second amendment 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 which matured 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 $4.0 million in July 2020, with a portion of proceeds of the Refinanced Mortgage discussed above, and additional principal payments aggregating $0.6 million in the year ended December 31, 2020. Accordingly, the carrying value of the $8.8M Note was $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 had no intrinsic value on the agreement date, and therefore no beneficial conversion feature arose. In March 2021, the Noteholder converted $1.0 million 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 $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 $3.2 million (the "$3.2M Note"), which bore interest at the rate of 0.12% per annum and which would mature in April 2023. The Noteholder had 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, subject to adjustment. The third amended agreement resulted in a decrease in the fair value of the embedded conversion feature of the $3.2M Note, and accordingly, no accounting was required for such conversion feature.

On or after the one-year anniversary of the $3.2M Note issuance date, upon twenty days prior written notice to the Noteholder, the Company had the right to 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 remained entitled to convert the $3.2M Note during such notice period. On or after the one-year anniversary of the $3.2M Note issuance date, 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 $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 $0.4 million at December 31, 2021. All note conversions were effected in accordance with the terms of their respective note agreements, and accordingly, the Company was not required to record a gain or loss on such conversions.

In the first quarter of 2022, the Noteholder converted the remaining principal balance of $0.4 million into 1,142,858 shares of the Company's common stock and the $3.2M Note was retired. The note conversion was effected in accordance with the terms of the note agreement, and accordingly, the Company was not required to record a gain or loss on this conversion.

***Promissory Notes Issued Pursuant to an Exchange Agreement***

In February 2020, pursuant to an exchange agreement (see Note 13), the Company issued two promissory notes in the aggregate principal amount of $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, 2021, the principal and accrued interest balance of the $4.4M Notes was $4.6 million. In March 2021, utilizing a portion of the proceeds from the Hadron transaction (see Note 13), the $4.4M Notes were paid in full, 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 2020. The $6.0M Note bore interest at a rate of 13.0% per annum and required the payment of a service fee of $0.9 million (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 2019, 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 $1.0 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 $5.8 million (the “$5.8M Note”) to replace the $6.8M Note; and (iii) amended and restated the $3.0M 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 2021, with the remainder to be amortized over the life of the Amended Notes.

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 (see Note 13), the Amended Notes were paid in full, along with accrued interest through the repayment date. Additionally, the remaining discount of approximately $450,000 on these notes was fully amortized on the payment date.

***Promissory Notes Issued as Purchase Consideration***

*Greenhouse Naturals Acquisition*

In connection with the Greenhouse Naturals Acquisition, the Company issued the Greenhouse Naturals Note (see Note 3) to the Greenhouse Naturals Sellers. The Greenhouse Naturals Note had an outstanding balance of $5.0 million at December 31, 2022, including $0.7 million recorded as a debt discount, which will be accreted through the term of the note. At December 31, 2022, $0.9 million was recorded as current.

*Kind Acquisition*

In connection with the Kind Acquisition, the Company issued the Kind Notes (see Note 3) to the Kind Sellers. The Kind Notes had an aggregate outstanding balance of $5.5 million at December 31, 2022, of which $1.6 million was current.

On January 24, 2023, in connection with the Company's new $35.0 million credit facility (see Note 22), the Company repaid the Kind Notes in full, aggregating $5.4 million, including approximately $20,000 of accrued interest. There was no penalty in connection with the early repayment of the Kind Notes.

***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 of 5.74% per annum and matures in July 2026. At December 31, 2022 and 2021, the balance of this note approximated $20,000 and $26,000, respectively, of which approximately $5,000 was current at each date.

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 of 10.0% per annum and matures in May 2027. At December 31, 2022 and 2021, the balance of this note approximated $28,000 and $33,000, respectively, of which approximately $7,000 and $5,000, respectively, was current.

***Promissory Note Issued by MMH***

MMH issued a $1.0 million promissory note (the "$1.0M Note") in 2020 to an unaffiliated party and paid $0.5 million of principal amount thereof. In March 2021, the Company paid interest on the $1.0M Note of $0.2 million and paid off the remaining principal balance of $0.5 million utilizing a portion of the proceeds from the Hadron transaction (see Note 13).

***Other Promissory Note Issuances***

In addition to the above transactions, in March 2021, the Company repaid in full promissory notes entered into in prior years. The payments aggregated $2.3 million, comprised of $2.0 million of principal and $0.3 million of accrued interest.

**(12) DEBENTURES PAYABLE**

In a series of transactions between October 2018 and 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. As of December 31, 2020, $1.0 million of the $21M Debentures had not been previously converted into the Company's common stock (the "Remaining Debenture Balance").

During the first quarter of 2021, the holder of the $21M Debentures (the "Holder") converted the Remaining Debenture Balance 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, and an aggregate of $1.3 million of principal and approximately $56,000 of accrued interest was converted into 4,610,645 shares of the Company's common stock at a conversion price of $0.29 per share.

These 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.

**(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 the Company's newly designated Series B convertible preferred stock, and (ii) issued the $4.4M Notes (see Note 11).

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, 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, of the shares of Series B convertible preferred stock into the Company's 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 enough 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 (the "Hadron Facility").

At the closing of the transaction in March 2021, Hadron purchased $23.0 million of Units (as defined below) 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 MariMed 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 related 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, $7.8 million was designated to fund construction and upgrades of certain of the Company's owned and managed facilities during 2021 and $15.2 million was used to pay down debt and obligations, comprised of principal and interest on various notes outstanding (see Note 11) and payments of certain amounts due to related parties (see Note 19).

Provided that at least 50.0% of the shares of Series C convertible preferred stock remained outstanding, the holders had 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 became available, at which time the observer roles would terminate. The transaction also imposed 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.

No further funding has occurred under the Hadron Facility and, on August 4, 2022, the Company and Hadron entered into a second amendment to the purchase agreement pursuant to which, inter alia, (i) Hadron's obligation to provide any further funding to the Company and the Company's obligation to sell any further securities to Hadron was terminated, (ii) Hadron's right to appoint a designee to the Company's board of directors was eliminated, and (iii) certain covenants restricting the Company's incurrence of new indebtedness were eliminated.

## (15) REVENUE

For the years ended December 31, 2022 and 2021, the Company's revenue was comprised of the following major categories (in thousands):

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Product sales - retail | $ 92,836 | $ 82,127 |
| Product sales - wholesale | 32,865 | 26,119 |
| Total product revenue | 125,701 | 108,246 |
| Other revenue: | | |
| Real estate rentals | 3,526 | 6,548 |
| Supply procurement | 3,353 | 2,108 |
| Management fees | 848 | 3,079 |
| Licensing fees | 582 | 1,483 |
| Total other revenue | 8,309 | 13,218 |
| Total revenue | $ 134,010 | $ 121,464 |

## (14) STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

### Stockholder Resolutions

At the Company's 2021 annual meeting of stockholders in September 2021 (the "2021 Annual Meeting"), stockholders approved an amendment to the Company's certificate of incorporation, increasing the number of authorized shares of common stock from 500 million to 700 million.

Also at the 2021 Annual Meeting, stockholders approved an amendment to the Company's Amended and Restated 2018 Stock Award and Incentive Plan (the "2018 Plan"), increasing the aggregate number of shares available for issuance under the Plan from 40 million to 70 million.

### Amended and Restated 2018 Stock Award and Incentive Plan

The 2018 Plan provides for the award of options to purchase the Company's common stock ("stock options"), restricted stock units ("RSUs"), stock appreciation rights, restricted stock, deferred stock, dividend equivalents, performance shares or other stock-based performance awards, as well as other stock- or cash-based awards. At December 31, 2022, there were 29,969,580 total shares of common stock available for future issuance under the 2018 Plan.

**Stock Options**

A summary of the Company's stock option activity during the year ended December 31, 2022 is below:

| | Shares | Weighted average exercise price |
|---|---|---|
| Outstanding at January 1, 2022 | 39,821,671 | $ 1.10 |
| Granted | 805,500 | $ 0.61 |
| Exercised | (367,248) | $ 0.22 |
| Forfeited | (1,455,250) | $ 1.00 |
| Expired | (2,300,000) | $ 2.24 |
| Outstanding at December 31, 2022 | 36,504,673 | $ 0.82 |

The amount reported as stock options exercised was comprised of 55,000 options exercised in cash transactions, from which the Company received approximately $10,000, and a cashless exercise of 312,248 stock options, under which 200,000 shares were released and 112,248 shares were returned to the Company in lieu of cash.

Stock options granted under the 2018 Plan generally expire five years from the date of grant. At December 31, 2022, the options outstanding had a weighted average remaining life of approximately three years.

The grant date fair values of stock options granted in the year ended December 31, 2022 were estimated using the Black-Scholes valuation model with the following assumptions:

| | |
|---|---|
| Estimated life (in years) | 5.0 |
| Weighted average volatility | 93.24 % |
| Weighted average risk-free interest rate | 3.18 % |
| Dividend yield | — |

**Restricted Stock Units**

The Company began to grant restricted stock units ("RSUs") under the 2018 Plan in the fourth quarter of 2022. Holders of unvested restricted stock units ("RSUs") do not have voting and dividend rights. The grant date fair value of RSUs is recognized as expense on a straight-line basis over the requisite service periods. The fair value of RSUs is determined based on the market value of the Company's shares on the date of grant.

The Company granted 2,433,332 RSUs in the year ended December 31, 2022, 833,333 RSUs were granted to each of the Company's then-Chief Executive Officer and its President, 666,667 RSUs were granted to the Company's Chief Operating Officer, and 33,333 RSUs were granted to each of the three independent members of its Board of Directors. Each of these RSUs had a grant date fair value of $0.53.

At December 31, 2022, there were 1,599,999 unvested RSUs outstanding.

**Warrants**

In April 2022, 750,000 warrants were exercised in a cashless transaction under which the Company withheld 515,039 shares underlying such warrants and issued 234,961 shares of common stock. In October 2022, 896,031 warrants were exercised in a cashless transaction under which the Company withheld 813,694 shares underlying such warrants and issued 82,337 shares of common stock.

At December 31, 2022, warrants to purchase up to 22,855,540 shares of common stock were outstanding, with a weighted average exercise price of $0.85.

**Other Common Stock Issuances**

During 2021 and 2022, the Company issued an aggregate of 12,542,126 shares of common stock in a series of conversions of a promissory note in the original principal amount of $8.8 million, of which 1,142,858 shares were issued in the first quarter of 2022, resulting in the promissory note being fully paid and retired (see Note 11).

In addition to the activity described previously, the Company also issued during the year ended December 31, 2022:

- 4,343,750 shares of restricted common stock in the aggregate as purchase consideration for two business acquisitions with an aggregate fair value of $2.2 million (see Note 3);
- 422,535 shares of restricted common stock with a fair value of approximately $300,000 to purchase property and equipment;
- 375,000 shares of restricted common stock with a fair value of approximately $275,000 in exchange for consulting services;
- 350,000 shares of restricted common stock with a grant date fair value of approximately $217,000 to the Company's Chief Financial Officer in connection with her appointment;
- 218,345 shares of restricted common stock under a royalty agreement with an aggregate fair value of approximately $121,000;
- 34,976 shares of common stock issued in connection with the vesting of restricted stock units with a grant date fair value of approximately $19,000 (see "Extension of Exercise Period and Accelerated Vesting of RSUs" below); and
- 17,227 shares of restricted common stock to an employee with an aggregate grant date fair value of approximately $9,000.

**Extension of Exercise Period and Accelerated Vesting of RSUs**

In connection with the death of the Company's former Chief Executive Officer Robert Fireman ("Mr. Fireman") on December 11, 2022, the Company, in accordance with the 2018 Plan, extended the exercise period for Mr. Fireman's outstanding stock options, which were fully vested, to the earlier of three years from the date of death or the contractual expiration date of the respective stock options. Accordingly, Mr. Fireman's stock options will remain exercisable until December 11, 2025. Additionally, the Compensation Committee of the Company's Board of Directors, as prescribed in the 2018 Plan, accelerated the vesting, on a prorated basis, of Mr. Fireman's RSUs, which had been granted to him on October 27, 2022, such that 34,976 RSUs were accelerated and the underlying shares were released in trust to Mr. Fireman's estate on December 30, 2022. The remaining 798,357 unvested RSUs that had been granted to Mr. Fireman on October 27, 2022 were forfeited and returned to the 2018 Plan. These amounts are included in the information related to RSUs above.

**Stock-Based Compensation**

The Company recorded stock-based compensation expense of $6.3 million and $13.4 million for the years ended December 31, 2022 and 2021, respectively.

**Common Stock Issuance Obligations**

At December 31, 2022, the Company was obligated to issue 70,000 shares of common stock in the aggregate, with an aggregate grant date fair value of approximately $39,000, to two employees. The Company had no such obligation at December 31, 2021.

## (16) MAJOR CUSTOMERS

The Company did not have any customers that contributed 10% or more of total revenue in the years ended December 31, 2022 or 2021.

At December 31, 2022, there were no customers that accounted for 10% or more of the Company' accounts receivable balance. At December 31, 2021, one customer accounted for 10% or more of the Company's accounts receivable balance, representing approximately 28% of total accounts receivable. The Company performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable.

### (17) BAD DEBT

The Company maintains an allowance against trade accounts receivable (the “AR Allowance”) and previously also reserved against cash advanced by the Company to a cannabis-licensed client for working capital purposes (the "WC Reserve”).

During the year ended December 31, 2022, the Company recorded $3.8 million of expense to increase its AR Allowance. During the year ended December 31, 2021, the Company increased the AR Allowance and the WC Reserve by $1.4 million and $0.5 million, respectively. The increase to the WC Reserve in the year ended December 31, 2021 was related to Harvest's working capital balance (see Note 3). These amounts are reported as Bad debt in the consolidated statements of operations for the respective years.

### (18) LEASES

**Lease Commitments**

The Company is the lessee under six operating leases and seven 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 a 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 a processing facility, subleased to a 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 subleased to a cannabis-licensed client. The lease expires in January 2026 and contains an option to negotiate an extension at the end of the lease term.
- 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.
- Massachusetts – a 2,700 square foot dispensary, which lease the Company assumed under a lease that expires in 2026, with options to extend the term for three additional five-year periods through 2041.
- Maryland – a 2,700 square foot two-unit apartment under a lease that expires in July 2023.

The Company leases machinery and office equipment under finance leases that expire in July 2023 through January 2028 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, 2022 were as follows (in thousands):

| | | |
|---|---|---|
| Operating lease expense | $ | 1,160 |
| | | |
| Finance lease expense: | | |
| Amortization of right-of-use assets | $ | 169 |
| Interest on lease liabilities | | 47 |
| Total finance lease expense | $ | 216 |

The weighted average remaining lease term for operating leases and finance leases is 6.3 years and 3.7 years, respectively. The weighted average discount rate used to determine the right-of-use assets and lease liabilities was between 7.50% to 12.75% for all leases.

Future minimum lease payments as of December 31, 2022 under all non-cancelable leases having an initial or remaining term of more than one year were as follows (in thousands):

| **Year ending December 31,** | **Operating leases** | **Finance leases** |
|---|---|---|
| 2023 | $ 1,153 | 237 |
| 2024 | 1,158 | 216 |
| 2025 | 1,178 | 215 |
| 2026 | 1,127 | 95 |
| 2027 | 1,066 | 46 |
| Thereafter | 2,143 | 2 |
| Total lease payments | 7,825 | 811 |
| Less: imputed interest | (2,379) | (125) |
| Present value of lease liabilities | $ 5,446 | 686 |

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 had an initial lease period of eleven months, with a minimum rent of $31.00 per square foot, which increased 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 could 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 the extended Ohio Lease, which the Company is building out into a medical use dispensary.

In February 2022, the Company was notified that it was awarded a cannabis dispensary license from the State of Ohio. The Company is awaiting the final verification process to be completed by the state. In April 2022 the Company extended the term of one of the Ohio Leases to February 2023 (the "Extended Ohio Lease"), and the remaining five Ohio Leases were terminated. The Company intends to enter into a ten-year lease on the Extended Ohio Lease property, which will become effective upon the completion of the final verification process by the state, which is expected to occur in the first half of 2023. As of December 31, 2022, the lease term of the Extended Ohio Lease was less than one year, and the Company was not required to record a right-of-use asset and corresponding lease liability on its balance sheet. Accordingly, the future lease payments of the Extended Ohio Lease are excluded from the table of future minimum lease payments shown above.

## (19) RELATED PARTY TRANSACTIONS

The Company’s corporate offices are leased from an entity in which the Company’s President and Chief Executive Officer ("Mr. Levine") has an investment interest. This lease expires in October 2028 and contains a five-year extension option. Expenses under this lease in both of the years ended December 31, 2022 and 2021 approximated $156,000.

The Company procures nutrients, lab equipment, cultivation supplies, furniture, and tools from an entity owned by the family of the Company’s Chief Operating Officer (the "COO"). Purchases from this entity totaled $4.8 million and $4.9 million in the years ended December 31, 2022 and 2021, respectively.

The Company pays royalties on the revenue generated from its Betty’s Eddies product line to an entity owned by the COO and the Company's Chief Revenue Officer (the "CRO") 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 3.0% if sold directly by the Company and between 1.3% and 2.5% if licensed by the Company for sale by third parties. Future developed products (i.e., ice cream) have a royalty rate of 0.5% if sold directly by the Company and between 0.125% and 0.135% if licensed by the Company for sale by third parties. The aggregate royalties due to this entity for the years ended December 31, 2022 and 2021 approximated $219,000 and $266,000, respectively.

During the years ended December 31, 2022 and 2021, one of the Company’s majority-owned subsidiaries paid distributions aggregating approximately $27,300 and $44,000, respectively, to Mr. Fireman and Mr. Levine, who own

minority equity interests in such subsidiary. In addition, the Company accrued $1,800 in the aggregate at December 31, 2022 for payments relate to the fourth quarter of 2022.

During the years ended December 31, 2022 and 2021, another of the Company's majority-owned subsidiaries paid distributions of approximately $17,500 and $7,000 to a current employee who owns a minority equity interest in such subsidiary, and accrued $9,000 at December 31, 2022 for a payment related to the fourth quarter of 2022.

During the years ended December 31, 2022 and 2021, the Company purchased fixed assets and consulting services aggregating $1.2 million and $0.9 million, respectively, from two entities owned by two of the Company's general managers.

During the years ended December 31, 2022 and 2021, the Company purchased fixed assets aggregating approximately $600,000 and $642,000 from an entity owned by an employee.

In the first quarter of 2021, the Company made payments aggregating $1.2 million that had been accrued at December 31, 2020, comprised of approximately $460,000 paid to Mr. Fireman, $653,000 paid to entities owned by Mr. Fireman and Mr. Levine, and $45,000 paid to a stockholder of the Company.

At December 31, 2022, the Company's mortgages with Bank of New England, DuQuoin State Bank, and South Porte Bank were personally guaranteed by Mr. Levine.

## (20) INCOME TAXES

The Company recorded provisions for income taxes of $5.9 million and $16.2 million for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Company's cumulative federal net operating losses were $39.2 million and $24.0 million, respectively. The provision recorded in the year ended December 31, 2022 was due in part to the impact of Section 280E of the Internal Revenue Code, which prohibits the deduction certain ordinary business expenses, and true-ups from changes that occurred between when the provision for the year ended December 31, 2021 was determined and when the related tax return was filed.

Reconciliations of the Company's effective tax rates and the statutory tax rate for the years ended December 31, 2022 and 2021 were as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| U.S federal taxes at the statutory rate | 21.0 % | 21.0 % |
| State taxes net of federal benefit | 12.8 % | 16.5 % |
| Section 280E adjustment | 11.6 % | 14.7 % |
| Stock-based compensation | 2.2 % | 10.5 % |
| FIN 48 reserve | 19.5 % | — % |
| Return to Provision adjustments | (48.7)% | (19.8)% |
| Other | 8.2 % | 0.9 % |
| Valuation allowance | 2.0 % | 19.5 % |
| Effective tax rate | 28.6 % | 63.3 % |

The income tax effect of the Company’s loss carryforwards and temporary differences at December 31, 2022 and 2021 were as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax assets: | | |
| Net operating loss carryforwards | $ 6,947 | 6,981 |
| Allowance for doubtful accounts | 256 | 11,810 |
| Stock compensation | 2,557 | 2,557 |
| Loss on equity investments | 8,602 | 8,633 |
| Goodwill write-offs | 1,188 | 1,263 |
| Change in fair value of investments | 616 | 599 |
| Lease payments | 525 | 171 |
| Reserves | 225 | 148 |
| Other | 95 | — |
| Deferred tax liabilities: | | |
| Depreciation | (4,758) | (2,520) |
| Real estate revenue | (500) | (1,000) |
| Net deferred tax asset | 15,753 | 28,642 |
| Valuation allowance | (15,753) | (28,642) |
| Total | $ — | $ — |

Federal net operating losses carry forward 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 Internal Revenue Code Section 382. The Company recorded valuation allowances against its net deferred tax assets at December 31, 2022 and 2021 due to the uncertainty regarding the realization of such assets. The Company’s assessment of the realization of its deferred tax assets in future periods may differ due to changing circumstances.

The Company's gross unrecognized tax benefits for the years ended December 31, 2022 and 2021 were as follows (in thousands):

| | Year ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Balance at January 1, | $ — | $ — |
| Additions based on tax positions related to prior years | 4,014 | — |
| Balance at December 31, | $ 4,014 | $ — |

All of the unrecognized tax benefits are included as a component of Income taxes payable, which is a current liability. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months. During the year ended December 2022, the Company's unrecognized tax benefits increased by $4.0 million as a result of uncertain tax positions relating to net operating losses deducted by subsidiaries that are subject to the provision of Section 280E of the Internal Revenue Code. The Company believes that its reserves for uncertain tax positions are appropriate, and that it has meritorious defenses for its tax filings and will vigorously defend them during any audit process, appellate process and through litigation in courts, as necessary.

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 2018 through 2022.

At December 31, 2022, the Company recorded a receivable for income taxes of $3.1 million, comprised of $1.3 million of overpayments that will be applied to future periods and $1.8 million that was requested for refund from the Internal Revenue Service. This receivable is reported as a component of Other current assets in the Company's consolidated balance sheet at December 31, 2022.

## (21) COMMITMENTS AND CONTINGENCIES

### Maryland Litigation and DiPietro Lawsuit

In November 2019, Kind Therapeutics USA Inc. ("Kind") filed a complaint against the Company in the Circuit Court for Washington County, Maryland, captioned Kind Therapeutics USA, Inc. vs. MariMed Inc., et al. (Case No. C-21-CV-19-000670) (the "Maryland Litigation").

In August 2020, Jennifer DiPietro, directly and derivatively on behalf of Mari Holdings MD LLC ("Mari-MD") and Mia Development LLC ("Mia") commenced a suit against the Company's then-Chief Executive Officer and then-Chief Financial Officer and its wholly-owned subsidiary MariMed Advisors Inc., in Suffolk Superior Court, Massachusetts (the "DiPietro Lawsuit").

In December 2021, (i) the parties in the Maryland Litigation and the DiPietro Lawsuit entered into a global Confidential Settlement and Release Agreement (the "Settlement Agreement") in resolution of both litigation matters and (ii) the Company entered into (a) a membership interest purchase agreement with the members of Kind to acquire 100% of the equity ownership of Kind (the "Kind Acquisition") and (b) a membership interest purchase agreement with Jennifer DiPietro to acquire her entire equity ownership interest in Mari-MD and Mia (the "DiPietro Acquisition").

In April 2022, following the consummation of the Kind Acquisition, the Maryland Litigation was dismissed in its entirety with prejudice, and the parties released each other from any and all claims between them.

In June 2022, upon the approval of the court in the DiPietro Lawsuit, the DiPietro Acquisition was consummated and the parties released each other from any and all direct and derivative claims, and a stipulation dismissing all claims and counterclaims with prejudice was filed with the court.

### Bankruptcy Claim

During 2019, the Company’s MMH subsidiary sold and delivered hemp seed inventory to OGG, Inc. (f/k/a 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 million from the sale, which was fully reserved on December 31, 2019.

On January 24, 2020, an involuntary bankruptcy proceeding under Chapter 11 was filed against GenCanna and its wholly-owned subsidiary, OGGUSA Inc. (f/k/a GenCanna Global US, Inc.) ("OGGUSA" and together with GenCanna, the "OGGUSA Debtors") in the U.S. Bankruptcy Court in the Eastern District of Kentucky (the "Bankruptcy Court"). In February 2020, the OGGUSA Debtors, under pressure from certain of its creditors including its senior lender MGG Investment Group LP (MGG"), agreed to convert the involuntary bankruptcy proceeding into a voluntary Chapter 11 proceeding. The OGGUSA Debtors' subsidiary, Hemp Kentucky LLC, also 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 OGGUSA Debtors, which included the Company, entered an order authorizing the sale of all or substantially all of the assets of the OGGUSA Debtors to MGG. After the consummation of the sale of all or substantially all of their assets and business, 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 OGGUSA Debtors, and make payments to creditors. The Liquidating Plan was confirmed by the Bankruptcy Court on November 12, 2020.

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 Oxford Restructuring Advisors LLC, the administrator of the Liquidating Plan for the OGGUSA Debtors (the "Plan Administrator"), 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.

In connection with the discussions of the Company with the OGGUSA Debtors relating to the Huron settlement, the Plan Administrator raised issues relating to a potential claim against MariMed Hemp, Inc. ("MHI") for certain preferential transfers of assets, which were valued at $250,000 by the Plan Administrator, of the OGGUSA Debtors alleged to have been made to MHI in payment of a $600,000 loan made by the Company prior to the Chapter 11 bankruptcy of the OGGUSA Debtors (the "Preferential Claim"). On April 20, 2022, the Plan Administrator filed its Complaint to Avoid and Recover Transfers Pursuant to 11 U.S.C. §§547 and 550 and to Disallow Claims Pursuant to 11 U.S.C. §502 (the "Complaint"), asserting the Preferential Claim seeking the recovery of an amount no less than $200,000 and to disallow the MHI claim until such time as such preferential transfer has been repaid to the OGGUSA Debtors. On August 1, 2022, an answer to the Complaint was filed, asserting counterclaims and third-party claims against OGGUSA, the Plan Administrator, and Huron for declaratory judgment (the "Related Claims") in relation to terms of the Plan of Reorganization (the "Plan") and the allowance of the MHI claim under the Plan.

The Company has and continues to vigorously deny that any of the Preferential Claim exists in that such claims were waived and released in connection with the Company's settlement agreement and stipulations for its support of and voting for the Plan. As such, the Company believes that such claims are meritless and have no basis in fact or law.

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

## (22) SUBSEQUENT EVENTS

### Planned Acquisition of Dispensary

On February 21, 2023, the Company announced its intention to acquire the operating assets of Ermont, Inc. ("Ermont"), a medical licensed vertical cannabis operator, located in Quincy, Massachusetts. This acquisition, which is subject to approval by the Massachusetts Cannabis Control Commission (the "CCC"), will provide the Company with its third dispensary in Massachusetts, substantially completing its buildout to the maximum allowable by state regulations.

The Company anticipates rebranding the dispensary as Panacea Wellness and intends to commence medical sales upon receipt of final approvals and closing conditions. The acquisition includes a Host Community Agreement with the city of Quincy to conduct adult-use cannabis sales. The Company expects to commence adult-use sales upon approval by the CCC. The Company also plans to expand the existing medical dispensary to accommodate the expected increased traffic associated with adult-use sales. Additionally, the Company plans to repurpose Ermont's existing cultivation facility to use for its pheno-hunting activities. The Company expects this will allow it to move pheno-hunting out of its New Bedford facility and to use the freed space in New Bedford for much-needed additional capacity to cultivate its *Nature's Heritage* flower.

### Credit Agreement

On January 24, 2023, the Company entered into a Loan and Security Agreement (the "Credit Agreement"), by and among the Company, subsidiaries of the Company from time-to-time party thereto (together with the Company, collectively, the "Borrowers"), lenders from time-to-time party thereto (the "Lenders"), and Chicago Atlantic Admin, LLC ("Chicago Atlantic"), as administrative agent for the Lenders.

Proceeds from the Credit Agreement are designated to complete the build-out of a new cultivation and processing facility in Illinois, complete the buildout of a new processing kitchen in Missouri, expand existing cultivation and processing facilities in Massachusetts and Maryland, fund certain capital expenditures, and to repay in full the Kind Therapeutics seller notes incurred in connection with the Kind acquisition in April 2022. The remaining balance, if any, will be used to fund acquisitions.

#### *Principal, Security, Interest and Prepayments*

The Credit Agreement provides for $35.0 million in principal borrowings at the Borrowers' option in the aggregate and further provides the Borrowers with the right, subject to customary conditions, to request an additional incremental term

loan in the aggregate principal amount of up to $30.0 million; provided that the Lenders elect to fund such incremental term loan. $30 million of loan principal was funded at the initial closing and the Company has the option, during a six-month period following the initial closing, to draw down an additional $5.0 million. The loans require scheduled amortization payments of 1.0% of the principal amount outstanding under the Credit Agreement per month commencing in May 2023, and the remaining principal balance is due in full on January 24, 2026, subject to extension to January 24, 2028 under certain circumstances.

The Credit Agreement provides the Borrowers with the right, subject to specified limitations, to (a) incur seller provided debt in connection with future acquisitions, (b) incur additional mortgage financing from third-party lenders secured by real estate currently owned and acquired after the closing date, and (c) to incur additional debt in connection with equipment leasing transactions.

The obligations under the Credit Agreement are secured by substantially all of the assets of the Borrowers, excluding specified parcels of real estate and other customary exclusions.

The Credit Agreement provides for a floating annual interest rate equal to the prime rate then in effect plus 5.75%, which rate may be increased by 3.00% upon an event of default or 7.50% upon a material event of default as provided in the Credit Agreement.

At any time, the Company may voluntarily prepay amounts due under the facility in $5.0 million increments, subject to a three-percent prepayment premium and, during the first 20-months of the term, a “make-whole” payment.

***Representations, Warranties, Events of Default and Certain Covenants***

The Credit Agreement includes customary representations and warranties and customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to material indebtedness, and events of bankruptcy and insolvency.

The Credit Agreement also includes customary negative covenants limiting the Borrowers’ ability to incur additional indebtedness and grant liens that are otherwise not permitted, among others. Additionally, the Credit Agreement requires the Borrowers to meet certain financial tests.

***Warrant Issuance***

The Credit Agreement provides for 30% warrant coverage against amounts funded under the facility, priced at a 20% premium to the trailing 20-day average price on the closing date of each such funding. At the initial closing, upon funding of the initial $30.0 million under the facility, the Company issued to the Lenders an aggregate of 19,148,936 warrants to purchase shares of the Company’s common stock at $0.47 per share, exercisable for a five-year period following issuance. Incremental warrants are issuable upon further draw-downs under the facility.

**Repayment of Kind Notes**

On January 24, 2023, in connection with the Company's Credit Agreement described above, the Company repaid in full the Kind Notes (see Note 11).

**Equity Transactions**

Subsequent to December 31, 2022, the following equity transaction occurred:

- 1,793 shares of restricted common stock issued as payment under a royalty agreement with an aggregate fair market value of approximately $700.