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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, 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.

The Woodlands, TX
March 7, 2024

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

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 14,645	$ 9,737
Accounts receivable, net	7,199	4,157
Inventory	25,306	19,477
Deferred rents receivable	630	704
Notes receivable, current portion	52	2,637
Investments, current portion	88	123
Due from related parties	105	29
Other current assets	3,407	7,282
Total current assets	51,432	44,146
Property and equipment, net	89,103	71,641
Intangible assets, net	17,012	14,201
Goodwill	11,993	8,079
Investments, net of current portion	221	—
Notes receivable, net of current portion	814	7,467
Operating lease right-of-use assets	9,716	4,931
Finance lease right-of-use assets	3,295	713
Other assets	12,537	1,024
Total assets	$ 196,123	$ 152,202
Liabilities, mezzanine equity and stockholders' equity		
Current liabilities:		
Mortgages and notes payable, current portion	$ 723	$ 3,774
Accounts payable	9,001	6,626
Accrued expenses and other	3,549	3,091
Income taxes payable	14,434	11,489
Operating lease liabilities, current portion	1,945	1,273
Finance lease liabilities, current portion	1,210	237
Total current liabilities	30,862	26,490
Mortgages and notes payable, net of current portion	65,652	25,943
Operating lease liabilities, net of current portion	8,455	4,173
Finance lease liabilities, net of current portion	2,140	461
Other liabilities	100	100
Total liabilities	107,209	57,167
Commitments and contingencies		

	December 31, 2023	December 31, 2022
Mezzanine equity:		
Series B convertible preferred stock, $0.001 par value; 4,908,333 shares authorized, issued and outstanding at December 31, 2023 and 2022	14,725	14,725
Series C convertible preferred stock, $0.001 par value; 12,432,432 shares authorized; 1,155,274 and 6,216,216 shares issued and outstanding at December 31, 2023 and 2022, respectively	4,275	23,000
Total mezzanine equity	19,000	37,725
Stockholders' equity:		
Undesignated preferred stock, $0.001 par value; 32,659,235 shares authorized; zero shares issued and outstanding at December 31, 2023 and 2022	—	—
Common stock, $0.001 par value; 700,000,000 shares authorized; 375,126,352 and 341,474,728 shares issued and outstanding at December 31, 2023 and 2022, respectively	375	341
Common stock subscribed but not issued; zero and 70,000 shares at December 31, 2022 and 2021, respectively	—	39
Additional paid-in capital	171,144	142,365
Accumulated deficit	(99,955)	(83,924)
Noncontrolling interests	(1,650)	(1,511)
Total stockholders' equity	69,914	57,310
Total liabilities, mezzanine equity, and stockholders' equity	$ 196,123	$ 152,202

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,	
	2023	2022
Revenue	$ 148,598	$ 134,010
Cost of revenue	82,679	70,053
Gross profit	65,919	63,957
Operating expenses:		
Personnel	22,612	14,404
Marketing and promotion	5,977	3,736
General and administrative	22,132	20,735
Acquisition-related and other	695	961
Bad debt	118	3,752
Total operating expenses	51,534	43,588
Income from operations	14,385	20,369
Interest and other (expense) income:		
Interest expense	(9,185)	(1,693)
Interest income	270	959
Loss on extinguishment of debt	(10,431)	—
Other expense, net	(1,635)	(127)
Total interest and other expense, net	(20,981)	(861)
(Loss) income before income taxes	(6,596)	19,508
Provision for income taxes	9,411	5,894
Net (loss) income	(16,007)	13,614
Less: Net income attributable to noncontrolling interests	24	146
Net (loss) income attributable to common stockholders	$ (16,031)	$ 13,468
Net (loss) income per share attributable to common stockholders:		
Basic	$ (0.04)	$ 0.04
Diluted	$ (0.04)	$ 0.04
Weighted average common shares outstanding:		
Basic	363,403	337,697
Diluted	363,403	380,289

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					
	Shares	Par Value	Shares	Amount	Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total stockholders' equity
Balances at January 1, 2022	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
Common stock subscribed but not issued	—	—	5,025	2	—	—	—	2
Issuance of subscribed shares	75,025	—	(75,025)	(41)	41	—	—	—
Release of shares under stock grants	599,999	1	—	—	(1)	—	—	—
Exercise of stock options	487,752	—	—	—	109	—	—	109
Warrants issued in connection with debt	—	—	—	—	5,454	—	—	5,454
Conversion of preferred stock to common stock	25,304,710	25	—	—	18,700	—	—	18,725
Common stock issued to settle obligations	400,000	—	—	—	160	—	—	160
Common stock issued under licensing agreement	13,007	—	—	—	5	—	—	5
Common stock issued to purchase property and equipment	740,741	1	—	—	299	—	—	300
Common stock issued as purchase consideration - Ermont Inc.	6,580,390	7	—	—	2,987	—	—	2,994
Purchase of minority interest in a subsidiary of the Company	450,000	1	—	—	4	—	(5)	—
Common stock returned to the Company in connection with a cancelled transaction	(1,000,000)	(1)	—	—	1	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(158)	(158)
Stock-based compensation	—	—	—	—	1,020	—	—	1,020
Net income	—	—	—	—	—	(16,031)	24	(16,007)
Balances at December 31, 2023	375,126,352	$ 375	—	$ —	$ 171,144	$ (99,955)	$ (1,650)	$ 69,914

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net (loss) income attributable to common stockholders	$ (16,031)	$ 13,468
Net income attributable to noncontrolling interests	24	146
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	5,549	3,432
Amortization of intangible assets	3,025	1,282
Stock-based compensation	1,020	6,338
Amortization of original debt issuance discount	232	—
Amortization of debt discount	2,851	—
Payment-in-kind interest	366	—
Present value adjustment of notes payable	—	—
Bad debt expense	118	3,752
Obligations settled with common stock	465	696
Write-off of disposed assets	906	—
Gain on finance lease adjustment	(31)	—
Write-down of prepaid purchase consideration	200	—
Loss on extinguishment of debt	10,431	—
Loss on changes in fair value of investments	76	1,082
Other investment income	—	(954)
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,160)	(6,902)
Inventory	(5,829)	(5,383)
Deferred rents receivable	74	132
Other current assets	4,500	(5,219)
Other assets	(356)	(126)
Accounts payable	2,375	1,027
Accrued expenses and other	(1,840)	(482)
Income taxes payable	2,945	(4,978)
Net cash provided by operating activities	7,910	7,311
Cash flows from investing activities:		
Purchases of property and equipment	(20,130)	(12,140)
Business acquisitions, net of cash acquired	(2,987)	(12,847)
Advances toward future business acquisitions	(1,125)	(800)
Purchases of investments	(261)	—
Purchases of cannabis licenses	(626)	(601)
Issuance of notes receivable	(879)	—
Proceeds from notes receivable	99	173
Due from related parties	(76)	(29)
Net cash used in investing activities	(25,985)	(26,244)

	Year Ended December 31,	
	2023	2022
Cash flows from financing activities:		
Proceeds from term loan	29,100	—
Proceeds from Construction to Permanent Commercial Real Estate Mortgage Loan	53,618	—
Proceeds from mortgages	—	3,000
Payment of third-party debt issuance costs in connection with debt	(3,339)	—
Principal payments of term loan	(1,800)	—
Repayment and retirement of term loan, including paid-in-kind interest	(28,541)	—
Payment of penalties on early retirement of debt	(4,251)	—
Principal payments of mortgages	(585)	(945)
Repayment and retirement of mortgages	(12,595)	—
Principal payments of promissory notes	(2,370)	(592)
Repayment and retirement of promissory notes	(5,503)	—
Proceeds from exercise of stock options	109	10
Principal payments of finance leases	(702)	(227)
Redemption of minority interests	—	(2,000)
Distributions	(158)	(259)
Net cash provided by (used in) financing activities	22,983	(1,013)
Net increase (decrease) to cash and cash equivalents	4,908	(19,946)
Cash and cash equivalents at beginning of year	9,737	29,683
Cash and cash equivalents at end of year	$ 14,645	$ 9,737
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 5,654	$ 1,744
Cash paid for income taxes	$ 6,419	$ 14,567
Non-cash activities:		
Trade receivables converted to notes receivable	$ —	$ 750
Common stock issued to purchase property and equipment	$ 300	$ 300
Conversion of promissory notes to equity	$ —	$ 400
Present value of promissory notes issued as purchase consideration	$ 4,569	$ 4,348
Entry into new operating leases	$ 5,604	$ 661
Entry into new finance leases	$ 3,235	$ 794
Common stock issued as purchase consideration	$ 2,994	$ 2,212
Common stock issued to purchase minority interest in a subsidiary of the Company	$ 5	$ —
Warrants to issue common stock issued with debt	$ 5,454	$ —
Notes payable issued to purchase motor vehicles	$ 158	$ —
Common stock issued to settle obligations	$ 160	$ 275
Common stock issued under licensing agreement	$ 5	$ 121
Issuance of common stock associated with subscriptions	$ 41	$ —
Conversion of preferred stock to common stock	$ 18,725	$ —
Conversion of notes receivable to omnibus long-lived asset	$ 10,233	$ —
Liability recorded for building improvements	$ 1,997	$ —

See accompanying notes to the consolidated financial statements.

MariMed Inc.
Notes to 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 March 9, 2023 (the "Ermont Acquisition Date"), the Company acquired the operating assets of Ermont, Inc. ("Ermont"), a medical-licensed vertical cannabis operator located in Quincy, Massachusetts (the "Ermont Acquisition"). The financial results of Ermont are included in the Company's consolidated financial statements since the Ermont Acquisition Date.

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.

The Company completed two acquisitions during the year ended December 31, 2022 that it recorded as asset purchases. 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”). 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 (the "Greenhouse Naturals Acquisition").

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	100.0 %
Mari Holdings NJ LLC	100.0 %
Mari Holdings Metropolis LLC	70.0 %
Mari Holdings Mt. Vernon LLC	100.0 %
Hartwell Realty Holdings LLC	100.0 %
Kind Therapeutics USA 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 each of December 31, 2023 and 2022, the Company had $0.1 million of cash held in escrow.

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, term loan, 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 reserves of $0.8 million and $4.6 million at December 31, 2023 and 2022, respectively.

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 revenue 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 were 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 expensed as incurred.

Advertising Costs

Advertising costs are expensed 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, 2023 and 2022, 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, 2023 and 2022, 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 United States 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.

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

Business Combinations

Ermont

On March 9, 2023, following approval by the Massachusetts Cannabis Control Commission (the "CCC"), the Company acquired the operating assets of Ermont, a medical-licensed vertical cannabis operator located in Quincy, Massachusetts. The Ermont Acquisition provided the Company with its third dispensary in Massachusetts, substantially completing its build-out to the maximum allowable by state regulations.

As consideration for the Ermont Acquisition, which totaled $13.0 million, the Company paid $3.0 million of cash, issued 6,580,390 shares of the Company's common stock with a fair value of $3.0 million, and issued a $7.0 million promissory note (the "Ermont Note" and collectively, the "Ermont Consideration"). The Ermont Note has a six-year term and bears interest at 6.0% per annum, with payments of interest-only for two years and thereafter, quarterly payments of principal and interest in arrears. The outstanding balance on the Ermont Note is subject to prepayment in the event the Company raises $75.0 million of equity capital. The Company recorded the Ermont Note at the present value o $4.6 million as of the Ermont Acquisition date. The difference between the resent value and face value of the Ermont Note is being amortized to interest expense through the term of such note.

The Company rebranded the dispensary as *Panacea Wellness Dispensary* and commenced medical sales immediately after the Ermont Acquisition Date. The Ermont Acquisition also 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 expected increased traffic associated with adult-use sales and to repurpose Ermont's existing cultivation facility for its pheno-hunting activities. The Company has moved its pheno-hunting activities out of the New Bedford facility to use the freed space to cultivate its *Nature's Heritage* flower.

The Company's consolidated statement of operations for the year ended December 31, 2023 includes $3.8 million of revenue and $2.4 million of net loss attributable to Ermont for the period since the Ermont Acquisition Date.

The Ermont Acquisition has been accounted for as a business combination. The Company did not assume any of Ermont's liabilities. A summary of the allocation of the Ermont Consideration to the acquired and identifiable intangible assets is as follows (in thousands):

Fair value of consideration transferred:		
Cash consideration:		
Cash paid	$	3,000
Less cash acquired		(13)
Net cash consideration		2,987
Common stock		2,994
Promissory note		4,569
Total fair value of consideration	$	10,550
Fair value of assets acquired:		
Property and equipment	$	800
Intangible assets:		
Tradename and trademarks		1,063
Customer base		4,642
License		131
Goodwill		3,914
Fair value of net assets acquired	$	10,550

The Company is amortizing the identifiable intangible assets arising from the Ermont Acquisition in relation to the expected cash flows from the individual intangible assets over their respective useful lives, which have a weighted average life of 10.71 years (see Note 11). Goodwill results from assets not separately identifiable as part of the transaction and is not deductible for tax purposes.

The following unaudited pro forma information presents the condensed combined results of MariMed and Ermont for the years ended December 31, 2023 and 2022 as if the Ermont Acquisition had been completed on January 1, 2022, with adjustments to give effect to pro forma events that are directly attributable to the Ermont Acquisition. These pro forma adjustments include amortization expense for the acquired intangible assets and interest expense related to the Ermont Note. Pro forma adjustments also include the elimination of acquisition-related and other expense directly attributable to the Ermont Acquisition from the year ended December 31, 2023 and inclusion of these expenses in the previous year.

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 Ermont. 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 Ermont Acquisition occurred on January 1, 2022, nor are they intended to represent or be indicative of future results of operations. These unaudited pro forma results for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	Year ended December 31, 2023	2022
	(unaudited)	
Revenue	$ 148,948	$ 139,857
Net (loss) income	$ (17,210)	$ 6,292

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 held 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 was 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 allocation of Kind Consideration to the acquired assets, identifiable intangible assets and certain assumed liabilities 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 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 11). 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 (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.

The following unaudited pro forma information presents the condensed combined results of MariMed and Kind for the year ended December 31, 2022 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 previous year.

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 on January 1, 2021, nor are they intended to represent or be indicative of future results of operations. These unaudited pro forma results for the year ended December 31, 2022 are as follows (in thousands):

		(unaudited)
Revenue	$	136,078
Net income	$	15,823

Valuation of Acquired Intangible Assets

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.

Asset Purchases

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 consideration 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 acquisition of this cannabis license allows the Company 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.

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 Greenhouse Naturals Acquisition was completed on December 30, 2022, upon the Company's payment of $0.1 million of cash and issuance of 2,000,000 shares of its common stock, with a fair value of $0.7 million, to the Greenhouse Naturals 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 it at the present value of $4.3 million. The difference between the face value of the Greenhouse Naturals Note and the value recorded is being amortized to interest expense over the term of such note. The final inspection by the Commonwealth of Massachusetts was completed in April 2023, and the Company opened the dispensary on April 25, 2023. The Company has allocated the purchase price to a licenses/customer base intangible asset, with an estimated useful life of 10 years.

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 $2.25 million of cash and $1.0 million of promissory notes which the Company will issue to the Allgreens members at the time of closing (the "Allgreens Notes"). 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. If the closing conditions are met and the acquisition is completed, which the Company expects to occur in 2024, the Company will have five adult-use dispensaries operating in Illinois. For the interim period until the acquisition is completed, the Company has entered into a management agreement with Allgreens, under which the management fees are calculated as a percentage of Allgreens' revenue. In connection with this agreement, the Company recorded expenses related to Allgreens aggregating approximately $164,000 in the year ended December 31, 2023 as a component of Investments, net of current portion in the Company's consolidated balance sheet (see Note 9).

Pursuant to the Allgreens Agreement, as of December 31, 2023, the Company had made payments aggregating $1.375 million to the Allgreens members, with additional cash payments aggregating $0.875 million to be made as specific milestones as defined in the Allgreens Agreement are reached. The Allgreens Notes will mature one year from the date the dispensary is permitted to commence operations.

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 wholesaler and processor, 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 2024. 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 1,000,000 restricted 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 "Deposit Shares"). The Company recorded the Deposit Shares at par value at the time of issuance, since the transaction had not yet been consummated. 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. In connection with the cancellation of this transaction, the Deposit Shares were returned to the Company in December 2023, and they were restored to the status of authorized but unissued shares of the Company's common stock. The return of the Deposit Shares was recorded at par value and is included as a component of stockholders' equity in the consolidated balance sheet at December 31, 2023.

(4) (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is computed by dividing net (loss) income by the weighted average number of shares outstanding during the period. For periods in which the Company reports net income, diluted 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,	
	2023	2022
Weighted average shares outstanding - basic	363,403	337,697
Potential dilutive common shares	—	42,592
Weighted average shares outstanding - diluted	363,403	380,289

(5) ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consisted of the following (in thousands):

	Year ended December 31,	
	2023	2022
Accounts receivable	7,963	8,760
Allowance for doubtful accounts	(764)	(4,603)
Accounts receivable, net	7,199	4,157

The Company maintains an allowance against trade accounts receivable (the "AR Allowance"), and had previously also reserved against cash advanced by the Company to a cannabis-licensed client or working capital purposes (the "WC Reserve"), both of which were reported as components of the allowance for doubtful accounts in the Company's consolidated balance sheets. The Company's allowance for doubtful accounts activity was as follows (in thousands):

Year ended December 31,	Balance at beginning of year	Charges to expense	Charges (credits) to other accounts	Write-offs	Balance at end of year
2023	$ 4,603	$ 118	$ —	$ (3,957)	$ 764
2022	$ 41,401	$ 3,752	$ (11,300)	$ (29,250)	$ 4,603

The amount reported under "Charges (credits) to other accounts" for the year ended December 31, 2022 represents the elimination of the reserve for trade receivables from a former client of the Company's in connection with the purchase accounting when the Company acquired this client. Of the amount reported under "Write-offs" for the year ended December 31, 2022, $29.0 million represents the write-off of a fully reserved trade receivable from a related party in connection with that party's bankruptcy declaration.

(6) 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 revenue. 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' revenue is finalized and if such revenue exceeds certain minimum levels.

The Company currently leases a cannabis cultivation, processing and dispensary facility that it owns in Delaware to a cannabis-licensed client under a triple net lease that expires in 2035. Prior to the Kind Acquisition Date, the Company had leased a cultivation and processing facility that it owns in Maryland to Kind. The Company had also previously leased a portion of a third owned property in Massachusetts under a lease that expired in February 2023, after which the tenant continued to rent the space on a month-to-month basis through November 2023. The Company does not intend to lease this space again, as it plans to use this space to expand its cultivation footprint.

The Company currently subleases two properties - a cannabis production facility with offices under a sublease that expires in January 2026 and contains an option to negotiate an extension of the sublease term and a dispensary under a sublease that expires in April 2027. The Company also subleases a portion of a third property that it developed into a cultivation facility under a sublease that 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 of this property into a processing facility. These properties are all subleased to a cannabis-licensed client in Delaware.

The Company received rental payments aggregating $2.0 million and $3.0 million in the years ended December 31, 2023 and 2022, respectively. The Company recognized rental revenue on a straight line basis totaling $1.5 million and $2.9 million for the years ended December 31, 2023 and 2022, respectively.

Future minimum rental receipts for non-cancellable leases and subleases as of December 31, 2023 were as follows (in thousands):

Year ending December 31,		
2024	$	1,200
2025		1,200
2026		1,058
2027		931
2028		931
Thereafter		2,714
Total	$	8,034

(7) NOTES RECEIVABLE

Notes receivable, including accrued interest, at December 31, 2023 and 2022, was comprised of the following (in thousands):

	December 31,	
	2023	2022
First State Compassion Center ("FSCC Initial Note")	$ —	$ 328
First State Compassion Center ("FSCC Secondary Notes")	—	8,160
First State Compassion Center ("FSCC New Note")	—	750
Healer LLC	866	866
Total notes receivable	866	10,104
Less: Notes receivable, current portion	(52)	(2,637)
Notes receivable, net of current	$ 814	$ 7,467

First State Compassion Center

Omnibus Agreement

On July 1, 2023 (the "Omnibus Agreement Date"), the Company entered into an Omnibus Agreement with First State Compassion Center ("FSCC"), the Company's cannabis-licensed client in Delaware: (a) consolidating all amounts owed by FSCC to the Company and its affiliated entities as described below, aggregating $11.0 million (the "Omnibus Agreement"); (b) providing for the automatic conversion of all amounts owed by FSCC to the Company, upon the approval of adult cannabis use in Delaware, into 100% ownership of FSCC's licenses and business; and (c) extending to FSCC, in the Company's sole discretion, up to an additional $2.0 million of working capital loans. The Omnibus Agreement has a term of five years, with an automatic five-year extension if adult cannabis use is not approved in Delaware by the maturity date, and bears interest, compounded semiannually and payable annually, at the appropriate rate of interest in effect under Sections 1274(d), 482 and 7872 of the Internal Revenue Code of 1986, as amended, as calculated under Rev. Ruling 86-17, 1986-1 C.B. 377, for the period for which the amount of interest is being determined. The state of Delaware recently approved the adult use of cannabis, with the implementation period expected to extend through approximately November 2024. The Omnibus Agreement is reported as a component of Other assets in the consolidated balance sheet at December 31, 2023.

Notes Receivable From FSCC Prior to the Omnibus Agreement Date

The notes receivable from FSCC described below in the aggregate were converted into the Omnibus on the Omnibus Agreement Date:

- FSCC issued a 10-year promissory note to the Company in May 2016 for $0.7 million, which bore interest at a rate of 12.5% per annum and matured in April 2026, as amended (the “FSCC Initial Note”). The monthly payments on the FSCC Initial Note were approximately $10,000. At December 31, 2022, the current portion of the FSCC Initial Note was approximately $85,000, and is included in Notes receivable, current portion, in the consolidated balance sheet.

- In December 2021, the Company converted financed trade accounts receivable balances from FSCC aggregating $7.8 million into notes receivable, which was net of the $1.3 million debt issuance discount recorded in connection with the conversion, whereby FSCC issued promissory notes aggregating $7.8 million to the Company (the “FSCC Secondary Notes”). The FSCC Secondary Notes bore interest at a rate of 6.0% per annum and matured in December 2025. FSCC was 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 balance included approximately $49,000 of unpaid accrued interest. The Company had granted FSCC an interest holiday in 2023 from January 1, 2023 through the Omnibus Agreement Date and accordingly, no interest was accrued in 2023. At December 31, 2022, the current portion of the FSCC Secondary Notes aggregated $2.5 million.

- In December 2022, the Company converted amounts due 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 bore interest at a rate of 6.0% per annum and matured in December 2026. FSCC was required to make quarterly interest payments, with the full amount of principal due on December 31, 2026; however, the Company had granted FSCC an interest holiday for the six months ended June 30, 2023. At December 31, 2022, the entire balance of the FSCC New Note was long-term.

- In the second quarter of 2023, the Company converted $879,000 due from FSCC into a note receivable.

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 totaling $0.8 million, 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 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 balance to approximately $866,000.

At each of December 31, 2023 and 2022, 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.

(8) INVENTORY

Inventory at December 31, 2023 and 2022 consisted of the following (in thousands):

	December 31,	
	2023	2022
Plants	$ 3,296	$ 2,653
Ingredients and other raw materials	4,932	3,255
Work-in-process	9,663	7,635
Finished goods	7,415	5,934
Total inventory	$ 25,306	$ 19,477

(9) INVESTMENTS

The Company's investments at December 31, 2023 and 2022 were all classified as current and were comprised of the following (in thousands):

	December 31,	
	2023	2022
Investment - current:		
WM Technology Inc.	$ 88	$ 123
Investments - noncurrent:		
Artis LLC (d/b/a Little Dog)	$ 57	$ —
Allgreens	164	—
Total investments - noncurrent	$ 221	$ —

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

WM Technology Inc.

In February 2022, the Company received 121,698 shares of common stock of WM Technology Inc. (Nasdaq: MAPS) (the "WMT Shares"), a technology and software infrastructure provider to the cannabis industry, which represented the Company's pro rata share of the additional consideration pursuant to a 2021 asset purchase agreement between the

Company and Members RSVP LLC. The Company recognized losses of approximately $35,000 and $0.8 million in the years ended December 31, 2023 and 2022, respectively, which amounts represent the changes in the fair value of the WMT Shares, and which are included as components of Other (expense) income, net, in the consolidated statements of operations.

Artis LLC (d/b/a Little Dog)

In April 2023, the Company purchased a 49% interest in Artis LLC, d/b/a Little Dog ("Little Dog"), a cannabis delivery service (the "Little Dog Investment") for approximately $98,000 of cash. The Company recognizes changes in the fair value of the Little Dog Investment based on its proportional share of Little Dog's net income (loss). During the year ended December 31, 2023, the Company recognized a loss in the Little Dog Investment of approximately $41,000, which is included as a component of Other (expense) income, net, in the consolidated statement of operations.

Allgreens

In connection with the pending acquisition of Allgreens and the management agreement the Company entered into with Allgreens for the interim period prior to the completion of the acquisition (see Note 3), the Company recorded expenses related to Allgreens aggregating approximately $164,000 for the year ended December 31, 2023 as a component of Investments, net of current portion.

Flowr Corp.

In December 2021, the Company received shares of Flowr Corp. common stock (the "Flowr Stock") arising from the sale of the Company's ownership interest in Terrace Inc., which was sold to Flowr Corp. (TSX.V: FLWR; OTC: FLWPF).The Flowr Stock was recorded at fair value, with changes in fair value recorded as a component of Other (expense) income, net, in the consolidated statements of operations. The Company recorded a loss of $0.3 million in the year ended December 31, 2022, 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 2022 arising from Flowr's bankruptcy filing and delisting from the exchanges on which the Flowr Stock traded.

(10) PROPERTY AND EQUIPMENT

The Company's property and equipment, net, at December 31, 2023 and 2022 was comprised of the following (in thousands):

	December 31,	
	2023	2022
Land	$ 4,819	$ 4,450
Buildings and building improvements	54,737	43,542
Tenant improvements	25,451	17,016
Furniture and fixtures	2,191	2,009
Machinery and equipment	16,394	10,087
Construction in progress	427	4,761
	104,019	81,865
Less: accumulated depreciation	(14,916)	(10,224)
Property and equipment, net	$ 89,103	$ 71,641

During the years ended December 31, 2023 and 2022, additions to property and equipment totaled $20.4 million and $18.6 million, respectively. Of the additions to property and equipment, $0.3 million of such additions in each of the years ended December 31, 2023 and 2022, were paid for by the issuance of Company common stock.

Depreciation expense for the years ended December 31, 2023 and 2022 was $5.5 million and $3.4 million, respectively.

(11) INTANGIBLE ASSETS AND GOODWILL

The Company's acquired intangible assets at December 31, 2023 and 2022 consisted of the following (in thousands):

December 31, 2023	Weighted average amortization period (years)	Cost	Accumulated amortization	Net carrying value
Trade name and trademarks	7.11	$ 3,104	$ 1,335	$ 1,769
Licenses and customer base	9.15	18,033	2,797	15,236
Non-compete agreements	2.00	42	35	7
	8.84	$ 21,179	$ 4,167	$ 17,012

December 31, 2022	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, 2023 was as follows (in thousands):

Year ending December 31,	
2024	$ 3,254
2025	2,772
2026	2,344
2027	2,191
2028	2,191
Thereafter	4,260
Total	$ 17,012

The changes in the carrying value of the Company's goodwill in the years ended December 31, 2023 and 2022 were as follows (in thousands):

	Year ended December 31,	
	2023	2022
Balance at January 1,	$ 8,079	$ 2,068
Ermont Acquisition	3,914	—
Kind Acquisition	—	6,011
Balance at December 31,	$ 11,993	$ 8,079

Goodwill is tested on an annual basis for impairment. The Company performs its annual goodwill impairment test as of December 31. Based on these tests, the Company determined that there was no goodwill impairment in the years ended December 31, 2023 and 2022.

(12) TERM LOAN

Credit Agreement

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

Proceeds from the CA Credit Agreement were designated to complete the build-out of a new cultivation and processing facility in Illinois, complete the build-out of a new processing kitchen in Missouri, expand existing cultivation and processing facilities in Massachusetts and Maryland, fund certain capital expenditures, and repay in full the Kind Notes incurred in connection with the Kind Acquisition, which repayment occurred on January 24, 2023 (see Note 13). The remaining balance, if any, was expected to be used to fund acquisitions.

Principal, Security, Interest and Prepayments

The CA Credit Agreement provided for $35.0 million in principal borrowings at the CA Borrowers' option in the aggregate and further provided the CA 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 CA Lenders elected to fund such incremental term loan. $30.0 million of loan principal was funded at the initial closing (the "Term Loan"), which amount was reduced by an original issuance discount of $0.9 million (the "CA Original Issuance Discount"). The Company had the option, during the six-month period following the initial closing, to draw down an additional $5.0 million, which it did not elect to do. The loan required scheduled amortization payments of 1.0% of the principal amount outstanding under the CA Credit Agreement per month commencing in May 2023, and the remaining principal balance was due in full on January 24, 2026, subject to extension to January 24, 2028 under certain circumstances.

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

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

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

At any time, the Company could 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 CA Credit Agreement included 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 CA Credit Agreement also included customary negative covenants limiting the CA Borrowers' ability to incur additional indebtedness and grant liens that were otherwise not permitted, among others. Additionally, the CA Credit Agreement required the CA Borrowers to meet certain financial tests. The Company was in compliance with the CA Credit Agreement covenants at all times while the Term Loan was outstanding.

Warrant Issuance

The CA Credit Agreement provided 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 CA 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.

The Company recorded the warrants at present value of $5.5 million as a component of Additional paid-in capital on the consolidated balance sheet as of January 24, 2023, and discounted the Term Loan amount by $5.5 million (the "CA Warrant Discount"). The Company was amortizing the CA Warrant Discount to interest expense over the term of the CA Credit Agreement.

Prepaid Debt Issuance Costs

The Company incurred $1.8 million of third party costs (i.e., legal fees, referral fees, etc.) in connection with the Term Loan that were recorded as a discount to the Term Loan (the "CA Third-Party Costs Discount"). The Company was amortizing the CA Third-Party Costs Discount to interest expense over the term of the CA Credit Agreement.

Repayment and Retirement of Term Loan

On November 16, 2023 (the "Payoff Date"), the Company repaid and retired the Term Loan (the "Term Loan Payoff") using proceeds from a new $58.7 million loan entered into on the same day (see Note 13). The Term Loan Payoff amount totaled $32.7 million, comprised of $28.5 million for the outstanding principal, $3.7 million for the make-whole payment, $0.2 million for accrued unpaid interest and $0.3 million for transaction-related fees.

The Company recognized a loss of $10.2 million in connection with the Term Loan Payoff, which is the primary component of Loss on extinguishment of debt in the consolidated statement of operations for the year ended December 31, 2023.

Interest Amortization

The Company recorded $2.1 million of aggregate interest amortization from the Term Loan Date to the Payoff Date related to the CA Original Issuance Discount, CA Warrant Discount and CA Third Party Costs Discount.

(13) MORTGAGES AND NOTES PAYABLE

The Company's mortgages and notes payable balances at December 31, 2023 and 2022 were comprised of the following (in thousands):

	December 31, 2023	December 31, 2022
Construction to Permanent Commercial Real Estate Mortgage Loan ("CREM Loan")	$ 52,083	$ —
Bank of New England New Bedford, MA and Middleborough, MA properties	—	12,141
Bank of New England Wilmington, DE property	1,219	1,345
DuQuoin State Bank Anna, IL and Harrisburg, IL properties	719	750
DuQuoin State Bank Metropolis, IL property	2,472	2,508
DuQuoin State Bank Mt. Vernon, IL property	2,923	2,974
South Porte Bank Mt. Vernon, IL property	—	801
Promissory note issued as purchase consideration - Ermont Acquisition	2,591	—
Promissory note issued as purchase consideration - Greenhouse Naturals Acquisition	4,190	4,348
Promissory note issued as purchase consideration - Kind Acquisition	—	4,802
Promissory notes issued to purchase motor vehicles	178	48
Total mortgages and notes payable	66,375	29,717
Less: Mortgages and notes payable, current portion	(723)	(3,774)
Mortgages and notes payable, net of current	$ 65,652	$ 25,943

Mortgages

CREM Loan

On November 16, 2023, Mari Holdings MD LLC, Hartwell Realty Holdings LLC, Kind Therapeutics USA, LLC, ARL Healthcare Inc., and MariMed Advisors, Inc., each a wholly-owned direct or indirect subsidiary of the Company (collectively, the "CREM Borrowers") entered into a Loan Agreement (the "CREM Loan Agreement"), by and among the CREM Borrowers, and Needham Bank, a Massachusetts co-operative bank (the "CREM Lender") pursuant to which the CREM Lender loaned to the CREM Borrowers an aggregate principal amount of $58.7 million (the "CREM Loan Transaction"). The Company has fully guaranteed the obligations of the CREM Borrowers under the CREM Loan Transaction and pledged to the CREM Lender its equity ownership in each CREM Borrower. The CREM Lender has a first priority security interest in all of the CREM Borrowers' operating assets in Maryland and Massachusetts and first priority mortgages on the CREM Borrowers' properties owned in Maryland and Massachusetts.

The CREM Loan Transaction matures in ten years and has an interest rate for the initial five years of 8.43% per annum. The interest rate will reset after five years to the FHLB Rate (the Classic Advance Rate for Fixed Rate advances for a period of five years for an amount greater than or equal to the loan amount, as such rate is defined and published by the Federal Home Loan Bank of Boston), plus 3.50%. The Company will make interest-only payments for the first twelve months of the term of the loan, with payments thereafter based upon a twenty-year amortization schedule.

The CREM Lender initially released $52.8 million to the CREM Borrowers (the "Initial CREM Distribution"). The remaining proceeds of $5.9 million will be held in escrow to complete the expansion of the Company's Hagerstown, Maryland cultivation facility (the "Hagerstown Facility"). Any unused proceeds will be released to the Company after completion of the Hagerstown Facility expansion. The Company used $46.8 million of the Initial CREM Distribution to fully repay certain of its outstanding debt. These payments were comprised of $32.7 million to pay off the Term Loan, $11.9 million to pay off the mortgage with Bank Of New England for the New Bedford, MA and Middleborough, MA properties, and $2.2 million to reduce the outstanding balance of the note issued by the Company in connection with the Ermont Acquisition.

The Company incurred bank closing costs and third party costs (i.e., legal fees, etc.) aggregating $1.5 million in connection with the CREM Loan Transaction, which have been recorded as a discount to the Loan Transaction (the "CREM Closing Costs Discount"), and which are being amortized to interest expense over the term of the CREM Loan Transaction. The Company recorded nominal interest amortization in the year ended December 31, 2023 related to the CREM Closing Costs Discount.

The CREM Loan 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 CREM Loan Agreement also includes customary negative covenants limiting the CREM Borrowers' (but not the Company's) ability to incur additional indebtedness and grant liens that are otherwise not permitted, among others. The CREM Loan Agreement also requires the CREM Borrowers to meet certain periodic financial tests.

Bank of New England (New Bedford, MA and Middleborough, MA)

The Company maintained an amended and restated mortgage secured by the Company's properties in New Bedford, MA and Middleborough, MA in the original amount of $13.0 million and bearing interest of 6.5% per annum that would mature in August 2025 (the "Refinanced Mortgage"). The outstanding principal balance of the Refinanced Mortgage was $12.1 million at December 31, 2022, of which approximately $382,000 was current. On November 16, 2023, the Company used $11.9 million of the proceeds from the CREM Loan Transaction to pay the outstanding principal of the Refinanced Mortgage, and such mortgage was retired. The Company recorded a loss of $0.2 million on the early repayment of the Refinanced Mortgage, which amount is included as a component of Loss on extinguishment of debt in the Company's consolidated statement of operations or the year ended December 31, 2023. Concurrent with the repayment of the Refinanced Mortgage, the Company refinanced the properties through the CREM Loan and accordingly, effective November 16, 2023, the mortgage on these properties is held by Needham Bank, which mortgage matures in 2033 and which outstanding amount is included as a component of the CREM Loan outstanding balance.

Bank of New England (Wilmington, DE)

The Company maintains a mortgage with Bank of New England for the 2016 purchase of a 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, with the rate adjusting every five years to the then prime rate plus 1.5% with a floor of 5.25% per annum. At December 31, 2023 and 2022, the outstanding principal balance on this mortgage was $1.2 million and $1.3 million, respectively, of which approximately $133,000 and $126,000, respectively, was current.

DuQuoin State Bank (Anna, IL and Harrisburg, IL)

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 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, 2023 and 2022, the outstanding principal balance on this mortgage approximated $719,000 and $750,000 respectively, of which approximately $27,000 and $36,000, respectively, was current.

DuQuoin State Bank (Metropolis, IL)

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 an additional 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 each of December 31, 2023 and 2022, the outstanding principal balance on this mortgage was $2.5 million, of which approximately $46,000 and $77,000, respectively, was current.

DuQuoin State Bank (Mt. Vernon, IL)

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 DSB 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 United States 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 purposes. The current portion of the DSB Mt. Vernon Mortgage was approximately $48,000 and $68,000 at December 31, 2023 and 2022, respectively.

South Porte Bank (Mt. Vernon, IL)

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 (the "South Porte Bank Mortgage"). Beginning in August 2021, pursuant to an amendment to the South Porte Bank Mortgage, the monthly payments of principal and interest aggregated approximately $6,000, with such payment amounts effective through June 2023, at which time all remaining principal, interest and fees were due. On May 26, 2023, the Company repaid the outstanding balance on the South Porte Bank Mortgage, which totaled approximately $778,000. In January 2024, the Company refinanced this property and entered into a $1.2 million mortgage with DSB.

Promissory Notes

Promissory Note Conversion

In the first quarter of 2022, a noteholder converted the outstanding principal balance of $0.4 million into 1,142,858 shares of the Company's common stock and such note was retired. The Company did not record any gains or losses arising from this conversion.

Promissory Notes Issued as Purchase Consideration

Ermont Acquisition

In connection with the Ermont Acquisition, the Company issued the Ermont Note (see Note 3), totaling $7.0 million. The Ermont Note matures in March 2029 and bears interest at 6.0% per annum, with payments of interest-only for two years, and quarterly payments of principal and interest in arrears thereafter. The outstanding balance on the Ermont Note is subject to prepayment in full in the event the Company raises $75.0 million or more of equity capital. The Company recorded the Ermont Note at a present value of $4.6 million. This amount is net of the $2.4 million recorded as a debt discount, which is being accreted through the term of the Ermont Note to interest expense. As discussed above, on November 26, 2023, the Company used $2.2 million of the proceeds from the CREM Loan Transaction to reduce the outstanding balance of the Ermont Note. The fair value of the Ermont Note was $2.6 million at December 31, 2023, all of which was recorded as noncurrent, as the first scheduled principal payment is not due until two years after the Ermont Acquisition Date.

Greenhouse Naturals Acquisition

In connection with the Greenhouse Naturals Acquisition, the Company issued the Greenhouse Naturals Note (see Note 3) totaling $5.0 million, to the Greenhouse Naturals Sellers, payable on a monthly basis as a percentage of the monthly gross sales of the Company's Beverly, Massachusetts dispensary (the "Beverly Dispensary"). The Company recorded $0.7 million as a debt discount, which is being accreted to interest expense through the term of the Greenhouse Naturals Note. The difference between the face value of the Greenhouse Naturals Note and the value recorded at the time of the Greenhouse Naturals Acquisition is being amortized to interest expense over the term of such note, which matures in July 2026. In the third quarter of 2023, the Company updated its forecast of revenue attributable to the Beverly Dispensary and accordingly, adjusted the schedule of estimated future payments on the Greenhouse Naturals Note. The fair value of the Greenhouse Naturals Note was $4.2 million and $4.3 million at December 31, 2023 and 2022, respectively. The Company estimated that the current portion of the Greenhouse Naturals Note was $0.3 million and $0.9 million at December 31, 2023 and 2022, respectively, which amounts are included in Mortgages and notes payable, current portion, in the Company's consolidated balance sheets.

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 CA Credit Agreement (see Note 12), the Company repaid the Kind Notes in full, aggregating $5.4 million, including approximately $420,000 of accrued interest. There was no penalty in connection with the early repayment of the Kind Notes.

Promissory Notes Issued to Purchase Commercial Vehicles

The Company entered into three note agreements to purchase commercial vehicles in the year ended December 31, 2023; in August 2023 with Ally Financial, in April 2023 with Ford Credit, and in January 2023 with Ally Financial. The Company had previously entered into note agreements to purchase commercial vehicles in August 2020 with First Citizens' Federal Credit Union and in June 2021 with Ally Financial. At December 31, 2023, the five outstanding notes had an aggregate outstanding balance of approximately $178,000, of which approximately $33,000 was current. At December 31, 2022, there were two outstanding notes with an aggregate outstanding balance of approximately $48,000, of which approximately $12,000 was current. The weighted average interest rates of the outstanding balances were 11.07% and 8.19% at December 31, 2023 and 2022, respectively. The weighted average remaining terms of these notes were 4.61 years and 4.07 years at December 31, 2023 and 2022, respectively.

(14) MEZZANINE EQUITY

Series B Convertible Preferred Stock

The Company's outstanding Series B convertible preferred stock (the "Series B Stock") is held by three institutional shareholders (the “Series B Holders”). 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 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 Stock, and/or other acts as defined in the Series B Stock certificate of designation.

The Series B 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 Stock in an amount calculated pursuant to the Series B Stock 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 on a prorated basis among the holders of the shares of Series B 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 Stock, (i) the Series B Holders have the option to convert their shares of Series B 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 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 2020 issuance of the Series B Stock, all outstanding shares of Series B 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:

- convert all shares of Series B Stock into shares of the Company's common stock at a conversion ratio of 1:1 (4,908,333 shares), subject to adjustment upon the occurrence of certain events and pay cash to the Series B Holders equal to the difference between the sixty-day VWAP and $3.00 per share; or
- pay cash to the Series B Holders equal to $3.00 per share ($14,725,000).

If the sixty-day VWAP is greater than $0.50 per share, the Company shall have the option to

- convert all shares of Series B Stock into shares of common stock at a conversion price per share equal to $3.00 per share divided by the sixty-day VWAP;
- pay cash to the Series B Holders equal to $3.00 per share ($14,725,000); or
- convert a number of shares of Series B Stock, such number at the Company's sole discretion into shares of the Company's common stock valued at the sixty-day VWAP (the "Conversion Value") and pay cash to the Series B Holders equal to the difference between $14,725,000 and the Conversion Value (shares issued multiplied by the sixty-day VWAP).

The Company shall at all times when the Series B Stock is outstanding, reserve and keep available 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 shares of Series B 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 Agreement"). At that time, Hadron purchased $23.0 million of Units at a price of $3.70 per Unit. Each Unit is comprised of one share of Series C preferred stock and a four-year warrant to purchase two and one-half shares of common stock. 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 the holder'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 are subject to early termination if certain milestones are attained and the market value of the Company's common stock reaches certain predetermined levels.

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 of directors (the "Board") and to each of its Board committees, and appoint a member to the Company's B 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.

On August 4, 2022, the Company and Hadron entered into a second amendment to the Hadron 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 Board was eliminated, and (iii) certain covenants restricting the Company's incurrence of new indebtedness were eliminated.

During the year ended December 31, 2023, in three separate transactions, the Company converted, at Hadron's request in accordance with the terms and conditions of the Series C stock certificate of designation, a total of 5,060,942 shares of Series C Stock into 25,304,710 shares of the Company's common stock (the "Conversions"). The Conversions were effected at a conversion rate of five shares of the Company's common stock for each share of Series C Stock converted. The Company did not recognize a gain or loss on the Conversions, as they were effected in accordance with the Series C Stock certificate of designation. At December 31, 2023, 1,155,274 shares of Series C Stock remained outstanding.

(15) STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Amended and Restated 2018 Stock Award and Incentive Plan

The Amended and Restated 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, 2023, there were 26,034,185 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, 2023 is below:

	Shares	Weighted average exercise price
Outstanding at January 1, 2023	36,504,673	$ 0.82
Granted	1,100,000	$ 0.43
Exercised	(487,752)	$ 0.23
Forfeited	(700,000)	$ 1.49
Expired	(817,500)	$ 1.85
Outstanding at December 31, 2023	35,599,421	$ 0.78

Stock options granted under the 2018 Plan generally expire five years from the date of grant. At December 31, 2023, 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, 2023 were estimated using the Black-Scholes valuation model with the following assumptions:

Estimated life (in years)	3.00 to 3.26
Weighted average volatility	99.22 %
Weighted average risk-free interest rate	3.59 %
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 activity related to the Company's RSUs for the year ended December 31, 2023 was as follows:

	RSUs	Weighted average grant date fair value
Unvested at January 1, 2023	1,599,999	$ 0.53
Granted	4,962,538	$ 0.40
Vested	(599,999)	$ 0.53
Forfeited	(137,000)	$ 0.44
Outstanding at December 31, 2023	5,825,538	$ 0.42

Warrants

In connection with the CA Credit Agreement (see Note 12), 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.

In addition to the 450,000 shares of restricted common stock issued to purchase the outstanding minority interest in Mari Holdings MD LLC ("Mari MD") noted below, the Company also issued 400,000 warrants to purchase the Company's common stock at an exercise price of $0.40 per share (the "Mari MD Warrants"). The Mari MD Warrants expire on April 13, 2026.

At December 31, 2023, warrants to purchase up to 42,189,476 shares of common stock were outstanding, with a weighted average exercise price of $0.68.

Other Common Stock Issuances

In addition to the activity related to stock options and RSUs described above and the Conversions (see Note 14), the Company also issued during the year ended December 31, 2023:

- 6,580,390 shares of restricted common stock with a fair value of $3.0 million in connection with the Ermont Acquisition (see Note 3);
- 740,741 shares of restricted common stock with a fair value of approximately $300,000 to purchase property and equipment;
- 400,000 shares of restricted common stock to settle certain obligations to one of the Company's service providers with a fair value of approximately $160,000;
- 450,000 shares of restricted common stock to purchase a 0.33% minority interest in Mari Holdings MD LLC, one Company's majority-owned subsidiaries;
- 13,007 shares of restricted common stock with an aggregate fair value of approximately $5,000 issued under a royalty agreement; and
- 75,025 shares of restricted common stock in the aggregate granted to three employees, including the 70,000 shares discussed below under "Common Stock Issuance Obligations" below, with a total fair value of approximately $41,000.

Stock-Based Compensation

The Company recorded stock-based compensation expense of $1.0 million and $6.3 million for the years ended December 31, 2023 and 2022, 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, which shares were issued in the first quarter of 2023. The Company had no such obligation at December 31, 2023.

(16) REVENUE

For the years ended December 31, 2023 and 2022, the Company's revenue was comprised of the following major categories (in thousands):

	Year ended December 31,	
	2023	2022
Product sales - retail	$ 95,517	$ 92,836
Product sales - wholesale	48,788	32,865
Total product revenue	144,305	125,701
Other revenue:		
Real estate rentals	1,787	3,526
Supply procurement	1,534	3,353
Management fees	711	848
Licensing fees	261	582
Total other revenue	4,293	8,309
Total revenue	$ 148,598	$ 134,010

(17) MAJOR CUSTOMERS

The Company did not have any customers that contributed 10% or more of total revenue in the years ended December 31, 2023 or 2022.

At each of December 31, 2023 and 2022, there were no customers that accounted for 10% or more of the Company's accounts receivable balance. The Company performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable.

(18) LEASES

Lease Commitments

The Company was the lessee under eight operating leases and twenty-three finance leases at December 31, 2023. These leases contain rent holidays and customary escalations of lease payments for the type of facilities being leased. The Company's operating lease agreements include its corporate headquarters, dispensaries and cannabis production and processing facilities. The Company subleases three of these leased facilities to a cannabis-licensed client. 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 Company leases machinery and office equipment under finance leases that expire in January 2026 through October 2038 with such terms comprising major part of the economic useful life of the leased property.

The components of lease expense for the years ended December 31, 2023 and 2022 were as follows (in thousands):

	Year ended December 31,	
	2023	**2022**
Operating lease expense	$ 1,838	$ 1,160
Finance lease expense:		
Amortization of right-of-use assets	$ 606	$ 169
Interest on lease liabilities	244	47
Total finance lease expense	$ 850	$ 216

The weighted average remaining lease terms and weighted average discount rates for the Company's operating leases and finance leases at December 31, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023	**2022**
Weighted average remaining lease term (years):		
Operating leases	9.83	6.30
Finance leases	3.29	3.70
Weighted average discount rate:		
Operating leases	11.0 %	8.1 %
Finance leases	11.0 %	8.7 %

Future minimum lease payments as of December 31, 2023 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
2024	$ 1,945	$ 1,210
2025	1,987	1,209
2026	1,958	926
2027	1,813	359
2028	1,757	105
Thereafter	2,229	—
Total lease payments	11,689	3,809
Less: imputed interest	(1,289)	(459)
Present value of lease liabilities	$ 10,400	$ 3,350

(19) RELATED PARTY TRANSACTIONS

The Company's corporate offices are leased from an entity in which the Company's President and Chief Executive Officer (the "CEO") has an investment interest. This lease expires in October 2028 and contains a five-year extension option. Expenses under this lease in the years ended December 31, 2023 and 2022 were approximately $272,000 and $156,000, respectively.

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 $6.5 million and $4.8 million in the years ended December 31, 2023 and 2022, 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. Under this agreement, the royalty on all sales of Betty's Eddies products is 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, 2023 and 2022 approximated $722,000 and $219,000, respectively.

During the year ended December 31, 2023, one of the Company's majority-owned subsidiaries paid distributions of approximately $11,000 to the CEO, who owns a minority equity interest in such subsidiary. During the year ended December 31, 2022, this subsidiary paid distributions aggregating approximately $27,300 to the CEO and Robert Fireman, the Company's former President and Chief Executive Officer. In addition, the Company accrued $1,800 in the aggregate at December 31, 2022 for payments related to the fourth quarter of 2022.

FSCC, the cannabis-licensed client in Delaware that the Company manages, paid fees to BKR Management Inc., a company partially owned by the CEO, related to the initial formation, licensing and establishment of FSCC's cannabis operations. The aggregate fees paid by FSCC were $192,000 related to each of the years ended December 31, 2023 and 2022. Payment of these fees terminated effective as of December 31, 2023.

At December 31, 2023, the Company's mortgages with Bank of New England and DuQuoin State Bank were personally guaranteed by the CEO under a limited guaranty. Additionally, the CEO provided a limited guaranty to the CA Lenders under the CA Credit Agreement through its repayment in November 2023. The CEO had also guaranteed the South Porte Bank Mortgage prior to its repayment in May 2023.

(20) INCOME TAXES

The Company recorded provisions for income taxes of $9.4 million and $5.9 million for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Company's cumulative federal net operating losses were $71.2 million and $39.2 million, respectively. The provision recorded in the year ended December 31, 2023 was due in part to the impact of Section 280E of the Internal Revenue Code ("Section 280E"), which prohibits the deduction of certain ordinary business expenses, true-ups from changes that occurred between when the provision for the year ended December 31, 2022 as determined and when the related tax returns were filed, and reserves recorded against uncertain tax positions taken on the tax returns as filed. 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, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023	**2022**
U.S federal taxes at the statutory rate	21.0 %	21.0 %
State taxes net of federal benefit	(4.2)%	12.8 %
Section 280E adjustment	(49.3)%	11.6 %
Stock-based compensation	(0.7)%	2.2 %
Non-cash interest	(9.4)%	— %
FIN 48 reserve	(28.1)%	19.5 %
Return to Provision adjustments	45.9 %	(48.7)%
Other	(7.3)%	8.2 %
Valuation allowance	(96.9)%	2.0 %
Effective tax rate	(129.0)%	28.6 %

The income tax effect of the Company's loss carryforwards and temporary differences at December 31, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023	**2022**
Deferred tax assets:		
Net operating loss carryforwards	$ 14,693	6,947
Allowance for doubtful accounts	207	256
Stock compensation	2,434	2,557
Loss on equity investments	8,094	8,602
Goodwill write-offs	115	1,188
Change in fair value of investments	229	616
Lease payments	2,621	525
Reserves	484	225
Other	448	95
Deferred tax liabilities:		
Depreciation	(6,925)	(4,758)
Real estate revenue	(2,477)	(500)
Net deferred tax asset	19,923	15,753
Valuation allowance	(19,923)	(15,753)
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, 2023 and 2022 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, 2023 and 2022 were as follows (in thousands):

	Year ended December 31,	
	2023	2022
Balance at January 1,	$ 4,014	$ —
Additions based on tax positions related to prior years	1,636	4,014
Balance at December 31,	$ 5,650	$ 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 31, 2023, the Company's unrecognized tax benefits increased by $1.6 million as a result of uncertain tax positions relating to net operating losses deducted by subsidiaries that are subject to the provisions of Section 280E. During the year ended December 31, 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 classified interest and penalties related to unrecognized tax benefits as income tax expense. The total amount of interest and penalties related to uncertain tax positions and recognized in the balance sheet at December 31, 2023 was $0.4 million.

The Company files income tax returns in the United States 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 December 31, 2018 through December 31, 2033.

At December 31, 2023, the Company recorded a receivable for income taxes of $1.0 million, comprised of refunds requested from the Internal Revenue Service and state taxing authorities. This receivable is reported as a component of Other current assets in the Company's consolidated balance sheet at December 31, 2023.

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 subsidiary, MariMed Hemp, Inc. ("MMH") sold and delivered hemp seed inventory to GenCanna Global Inc., a Kentucky-based cultivator, producer, and distributor of hemp ("GenCanna"). At the time of sale, the Company owned a 33.5% ownership interest in GenCanna. The Company recorded a related party receivable of approximately $29 million from the sale, which was fully reserved at 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 United States. Bankruptcy Court in the Eastern District of Kentucky (the "Bankruptcy Court"). In February 2020, the OGGUSA Debtors, 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 Investment Group LP ("MGG"), a creditor of the OGGUSA Debtors. 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 April 2022, the Plan Administrator filed a Complaint against MMH (the "Complaint") alleging certain preferential transfers of assets, which were valued by the Plan Administrator at $250,000, relating to payments on a $600,000 loan made to MMH by the Company prior to the filing of the OGGUSA Debtors Chapter 11 proceeding (the "Preferential Claim"). The Complaint sought to recover an amount no less than $200,000 and to disallow MMH's unsecured general claim in the bankruptcy proceeding until such time as such preferential transfer had been repaid to the OGGUSA Debtors.

In July 2023, MMH entered into a Settlement and Release Agreement with the Plan Administrator pursuant to which it agreed to reduce its Bankruptcy Court approved unsecured general claim to $15.5 million, or by 50%, in consideration for the settlement of the Preferential Claim and a general release of MMH and the Company.

As of the date of this report, there is insufficient information to determine how much MMH may receive upon the completion of the liquidation of the remaining assets of the OGGUSA Debtors on account of its general unsecured claim, if anything.

New Bedford, MA and Middleborough, MA Buildouts

In the third quarter of 2023, the Company recorded an increase of $2.0 million in building and building improvements and a corresponding accrued liability in the same amount for electrical work performed at the Company's New Bedford and Middleborough properties between December 2017 and June 2023. The electrical work was performed by an electrical contractor that is owned and/or controlled by the family of a non-officer/director Company stockholder who beneficially owned more than 5% of the Company's common stock when the electrical work began. The electrical work was primarily paid for by an entity that is indirectly controlled by that individual and another non-officer/director Company shareholder who also beneficially owned more than 5% of the common stock when the electrical work began. The Company repaid the two shareholders $300,000 each as salary between 2021 and 2023 (at the rate of $100,000 each per year), which payments have since been terminated. The Company intends to negotiate an agreement with the entity that paid for the electrical work and all other interested parties to reflect the liability and agreed-upon payment terms.

(22) SUBSEQUENT EVENTS

Planned Business Acquisition

On February 1, 2024, the Company entered into an agreement to acquire the medical cannabis retail license and certain assets of Our Community Wellness & Compassionate Care Center, Inc. ("Medleaf") in Prince George's County, Maryland in exchange for $5.25 million, adjusted for certain items. The purchase consideration is comprised of $2.0 million of cash in the aggregate, a $2.0 million note to be issued to the sellers of Medleaf (the "Medleaf Sellers") at the time of closing, and shares of the Company's common stock with a fair value of $1.25 million based on a formulaic calculation, to be issued at the time of closing. As of the date of this report, the Company has made advance payments to the Medleaf Sellers totaling $0.5 million. Completion of the acquisition is dependent upon certain conditions, including regulatory approval of the acquisition. The Company expects this acquisition to be completed in 2024; however, there is no assurance that the required regulatory approvals will be obtained.

Receipt of Certificate of Occupancy - Casey, Illinois

On February 26, 2024, MariMed received its Certificate of Occupancy from the Illinois Cannabis Control Commission to commence operations in the Company's permanent brick-and-mortar facility for its Casey, Illinois adult-use dispensary. The Company anticipates that it will transition from its temporary facility at the same location and commence operations in the new facility during the first quarter of 2024.

Equity Transaction

Subsequent to December 31, 2023, the Company issued 3,614 shares of restricted common stock with an aggregate fair market value of approximately $2,000 as payment under a royalty agreement.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive and interim chief financial officer (same person), evaluated the effectiveness of our disclosure controls and procedures (defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2023 (the “Evaluation Date”). Based upon that evaluation, our management concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) are recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) are accumulated and communicated to our management, including our chief executive and interim chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control—Integrated Framework*. Based on that assessment and using the COSO criteria, our management have concluded that, as of December 31, 2023, our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

During 2023, the Company undertook an initiative, utilizing internal resources and outside experts, to review and further document its policies and procedures to strengthen and insure its internal controls over financial reporting. This included developing and preparing updated and incremental standard operating procedures and policies documentation. These related to, among others, the procedure for recording transaction in the company’s general ledger and the manner in which the Company accounts for various types of transactions, as well as policies relating to purchasing, travel and entertainment, revenue recognition, electronic fund transfers and electronic document retention and backup. The Company views this process as an ongoing initiative as new systems and procedures are implemented and adopted in connection with the Company’s growth and business expansion and intends to continue to allocate internal resources and engage outside consultants, as it deems appropriate, to insure the strength of its ongoing internal controls over financial reporting.

Other than as described above, there was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) that occurred during the fiscal year ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

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

Item 9B. Other Information

Insider Trading Arrangements

On December 4, 2023, Jon Levine, the President, Chief Executive Officer and Interim Chief Financial Officer of the Company ("Mr. Levine"), adopted a trading arrangement for the sale of shares of the Company’s common stock (the "Mr. Levine's Trading Plan”) that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c). Mr. Levine’s Trading Plan (i) authorizes the agent to sell only such number of shares of the Company’s common stock as are necessary to satisfy tax withholding obligations arising from each incremental vesting of the compensatory restricted stock units awarded to Mr. Levine in November 2023 pursuant to the terms of such plan beginning on November 7, 2024; and (ii) is in effect from December 4, 2023 through the earlier of the date on which all sales have been completed pursuant to the terms of such plan, the termination of the plan as provided for therein, or November 15, 2026.

On December 6, 2023, Timothy Shaw, the Chief Operating Officer of the Company ("Mr. Shaw"), adopted a trading arrangement for the sale of shares of the Company’s common stock (“Mr. Shaw’s Trading Plan”) that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c). Mr. Shaw’s Trading Plan (i) authorizes the agent to sell only such number of shares of the Company’s common stock as are necessary to satisfy tax withholding obligations arising from each incremental vesting of the compensatory restricted stock units awarded to Mr. Shaw in September 2023 pursuant to the terms of such plan beginning on September 1, 2024; and (ii) is in effect from December 6, 2023 through the earlier of the date on which all sales have been completed pursuant to the terms of such plan, the termination of the plan as provided for therein, or September 15, 2026.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.