PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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

Stockholders

At March 1, 2024, we had approximately 735 stockholders of record.

Dividends

We have never declared or paid a dividend on its common stock, and we do not anticipate paying cash or other dividends in the foreseeable future.

Recent Sales of Unregistered Securities

During the three months ended December 31, 2023, we issued the following unregistered securities:

- 4,394 shares of restricted common stock with an aggregate fair value of approximately $2,000 issued under a royalty agreement.

The issuance of the shares of common stock described above were deemed to be exempt from registration under the Securities Act of 1933, as amended, in reliance upon Sections 4(a)(2) and/or 4(a)(5) of the Securities Act. A legend restricting the sale, transfer, or other disposition of these securities other than in compliance with the Securities Act was placed on the securities issued in the foregoing transactions.

Item 6. Reserved

[Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

When used in this Annual Report on Form 10-K and in future filings by the Company with the SEC, words or phrases such as “anticipate,” “believe,” “could,” “would,” “should,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. These factors include, but are not limited to, changes that may occur to general economic and business conditions; changes in current pricing levels that the Company can charge for its services and products or which it pays to its suppliers and business partners; changes in political, social and economic conditions in the jurisdictions in which the Company operates; changes to regulations that pertain to its operations; changes in technology that render the Company’s technology relatively inferior, obsolete or more expensive compared to others; changes in the business prospects of the Company’s business partners and customers; increased competition, including from the Company’s business partners; and enforcement of United States federal cannabis-related laws.

The following discussion should be read in conjunction with the financial statements and related notes which are included in this Annual Report on Form 10-K under Item 8.

The Company does not undertake to update its forward-looking statements or risk factors to reflect future events or circumstances, unless required by law.

Overview

We are a multi-state operator in the United States cannabis industry. We develop, operate, manage, and optimize state-of-the-art, regulatory-compliant facilities for the cultivation, production, and dispensing of medicinal and adult-use cannabis. We also license our proprietary brands of cannabis products, along with other top brands, in several domestic markets.

Our common stock trades on both the OCTQX and on the Canadian Securities Exchange under the ticker symbol MRMD.

On March 9, 2023 (the "Ermont Acquisition Date"), we 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 our consolidated financial statements for the period subsequent to the Ermont Acquisition Date.

On April 27, 2022 (the “Kind Acquisition Date”), we acquired Kind Therapeutics USA (“Kind”), our 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 our consolidated financial statements for the periods subsequent to the Kind Acquisition Date.

On May 5, 2022, we 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, we completed an asset purchase under which we acquired from Greenhouse Naturals LLC the cannabis license and assumed the property lease associated with a cannabis dispensary in Beverly, Massachusetts that had never been operational.

During 2023, we were focused on continuing to execute our strategic growth plan, and intend to continue this focus in 2024, with priority on the activities described below:

- Increasing revenue organically in states where we currently do business by growing our product offerings, bolstering awareness via marketing campaigns, and developing additional assets within those states.
- Expanding our footprint into high-growth legal cannabis states through new license applications and/or acquisitions of existing cannabis businesses.
- Increasing revenue by producing and distributing our award-winning brands to qualified strategic partners or by acquiring production and distribution licenses.
- Continuing to consolidate the cannabis businesses that we have developed and managed.
- In Massachusetts, we opened two additional dispensaries and intend to significantly expand the capacity and capability of our manufacturing facility in New Bedford, Massachusetts.
- In Maryland, we opened a dispensary in Annapolis in October 2022, and we intend to expand our manufacturing facility by 40,000 square feet. We recently received Good Manufacturing Practices ("GMP") certification of our production kitchen, as well as approval to produce and sell high-dose edibles, which we have commenced. We also commenced adult-use wholesale and retail sales in Maryland. Under current Maryland cannabis laws, we have the potential to add three additional medical dispensaries, for a total of four.
- In Illinois, in May 2022, we closed on the acquisition of a craft cannabis license, which enables us to be vertically integrated and add cultivation, manufacturing, and distribution to our four existing retail cannabis operations in Illinois. Additionally, in October 2023, we announced the opening of a Thrive Dispensary in Casey. In response to the state's request to open as soon as possible, we are currently operating the Thrive Dispensary from a temporary mobile facility while construction on a permanent building is completed on the same site. Under

Illinois cannabis laws, we have the potential to add five additional dispensaries, for a total of ten.

- In November 2023, we were granted a certificate of occupancy for our processing kitchen in Mt. Vernon, Illinois, and we have begun manufacturing our branded products for sale through retail and wholesale channels. Additionally, we continue construction of the cultivation facility in Mt. Vernon, and expect this facility to be completed in early 2024.

- In Ohio, in June 2023, we opened our first medical dispensary in the state, and we intend to explore additional opportunities to grow our operations in Ohio to the maximum allowable by state regulations.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future given available information. If actual results differ significantly from management's estimates and projections, there could be a material effect on our condensed consolidated financial statements. We consider the following accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment: accounts receivable; valuation of inventory; estimated useful lives and depreciation and amortization of property and equipment and intangible assets; accounting for acquisitions and business combinations; loss contingencies and reserves; stock-based compensation; and accounting for income taxes.

Accounts Receivable

We provide credit to our clients in the form of payment terms. We limit our credit risk by performing credit evaluations of our clients and maintaining a reserve, as applicable, for potential credit losses. Such evaluations are judgmental in nature and include a review of the client's outstanding balances with consideration toward such client's historical collection experience, as well as prevailing economic and market conditions and other factors. Accordingly, the actual amounts collected could differ from expected amounts and require that we record additional reserves.

Inventory

Our inventory is valued at the lower of cost or market, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price, what we expect to realize by selling the inventory and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts, and net realizable value. These estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of any changes in inventory reserves is reflected in cost of goods sold.

Estimated Useful Lives and Depreciation and Amortization of Property, Equipment, and Intangible Assets

Depreciation and amortization of property, equipment, and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business Combinations and Asset Purchases

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on how we record the transaction.

We allocate the purchase price of acquired assets and companies to identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net amount of the acquisition date fair values of the assets acquired and the liabilities assumed and represents the expected future economic benefits from other assets acquired in the acquisition or business combination that are not individually identified and separately recognized. Significant judgments and assumptions are required in determining the fair value of assets acquired and liabilities assumed, particularly acquired intangible assets, which are principally based upon estimates of the future performance and cash flows expected from the acquired asset or business and applied discount rates. While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates and assumptions are inherently uncertain and subject to refinement. If different assumptions are used, it could materially impact the purchase price allocation and our financial position and results of operations. Any adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period are included in operating results in the period in which the adjustments are determined. Intangible assets typically are comprised of trademarks and trade names, licenses and customer relationships, and non-compete agreements.

Loss Contingencies and Reserves

We are subject to ongoing business risks arising in the ordinary course of business that affect the estimation process of the carrying value of assets, the recording liabilities, and the possibility of various loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. We regularly evaluate current information available to determine whether such amounts should be adjusted and record changes in estimates in the period they become known. We are subject to legal claims from time to time. We reserve for legal contingencies and legal fees when the amounts are probable and estimable.

Stock-Based Compensation

Our stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which is generally the vesting period. We use the Black-Scholes valuation model for estimating the fair value of stock options as of the date of grant. Determining the fair value of stock option awards at the grant date requires judgment regarding certain valuation assumptions, including the volatility of our stock price, expected term of the stock option, risk-free interest rate and expected dividends. Changes in such assumptions and estimates could result in different fair values and could therefore impact our earnings. Such changes, however, would not impact our cash flows.

Income Taxes

We use the asset and liability method to account for 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 our management concludes that it is more likely than not that the assets will not be realized. To assess the recoverability of any tax assets recorded on the balance sheet, we consider all available positive and negative evidence, including our past operating results, the existence of cumulative income in the most recent years, changes in the business in which we operate and our forecast of future taxable income. In determining future taxable income, we make assumptions, including the amount of state and federal pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage our businesses.

Results of Operations

Years ended December 31, 2023 and 2022

Revenue

Our main sources of revenue are comprised of the following:

- Product sales (retail and wholesale) - direct sales of cannabis and cannabis-infused products primarily by our retail dispensaries and wholesale operations in multiple states. We recognize this revenue when products are delivered or at retail points-of-sale.

- Real estate rental income - rental income generated from the leasing of our state-of-the-art, regulatory compliant cannabis facilities to our 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, we charged additional rental fees based on a percentage of tenant revenue that exceeded specified amounts; these incremental rental fees were eliminated in connection with new contract negotiations with our client.

- Supply procurement - resale of cultivation and production resources, supplies and equipment that we have acquired from top national vendors at discounted prices to our clients and third parties within the cannabis industry. We recognize this revenue after the delivery and acceptance of goods by the purchaser.

- Management fees - fees for providing our cannabis-licensed 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 were recognized after services were performed; these fees were eliminated in connection with new contract negotiations with our client.

- Licensing fees - revenue from the licensing of our branded products, including *Betty's Eddies*, *Bubby's Baked*, *Vibations* and *Kalm Fusion*, to wholesalers and regulated dispensaries throughout the United States and Puerto Rico. We recognize this revenue when the products are sold to the end customer.

Our revenue for the years ended December 31, 2023 and 2022 was comprised of the following (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2023	**2022**	**$**	**%**
Product revenue:				
Product sales - retail	$ 95,517	$ 92,836	$ 2,681	2.9 %
Product sales - wholesale	48,788	32,865	15,923	48.4 %
Total product revenue	144,305	125,701	18,604	14.8 %
Other revenue:				
Real estate rentals	1,787	3,526	(1,739)	(49.3)%
Supply procurement	1,534	3,353	(1,819)	(54.2)%
Management fees	711	848	(137)	(16.2)%
Licensing fees	261	582	(321)	(55.2)%
Total other revenue	4,293	8,309	(4,016)	(48.3)%
Total revenue	$ 148,598	$ 134,010	$ 14,588	10.9 %

Our total revenue increased $14.6 million, or 10.9%, in the year ended December 31, 2023 ("2023") compared to the year ended December 31, 2022 ("2022"), the result of higher product revenue, partially offset by lower other revenue (real estate rentals, supply procurement, management fees and licensing fees).

Our total product revenue in 2023 increased $18.6 million, or 14.8%, primarily attributable to higher wholesale revenue, coupled with net increases in retail revenue. Our wholesale and retail revenue increased in both Maryland and Massachusetts in 2023. The increase in Maryland revenue is attributable to both the inclusion of a full year of revenue in 2023 compared to revenue in 2022 only for the period subsequent to the Kind Acquisition Date, and organic growth in the current year. The increase in Massachusetts revenue in 2023 was primarily attributable to higher retail revenue arising from our recent acquisitions there and, to a lesser extent, to higher wholesale revenue. These increases were partially offset by decreases in revenue from certain of our other dispensaries.

The decrease in our other revenue was primarily attributable to rent, supply procurement and management fee reductions in connection with one of our cannabis-licensed clients. These decreases were partially offset by higher supply procurement revenue primarily attributable to revenue generated from our cannabis-licensed client in Delaware.

Cost of Revenue, Gross Profit and Gross Margin

Our cost of revenue represents the direct costs associated with the generation of our revenue, including licensing, packaging, supply procurement, manufacturing, supplies, depreciation, amortization of acquired intangible assets, and other product-related costs.

Our cost of revenue, gross profit and gross margin for 2023 and 2022 were as follows (in thousands, except percentages):

	Year ended December 31,		Increase from prior year	
	2023	2022	$	%
Cost of revenue	$ 82,679	$ 70,053	$ 12,626	18.0 %
Gross profit	$ 65,919	$ 63,957	$ 1,962	3.1 %
Gross margin	44.4 %	47.7 %		

Our cost of revenue increased in 2023 compared to 2022, primarily attributable to higher materials and employee-related costs. These increases aggregated approximately $16 million, and were primarily due to our increased headcount in connection with our recent acquisitions and expanded footprint. These increases were partially offset by lower supply procurement and certain manufacturing-related expenses.

Operating Expenses

Our operating expenses are comprised of personnel, marketing and promotion, general and administrative, acquisition-related and other, and bad debt expenses. Our operating expenses for 2023 and 2022 were as follows (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2023	2022	$	%
Personnel	$ 22,612	$ 14,404	$ 8,208	57.0 %
Marketing and promotion	5,977	3,736	2,241	60.0 %
General and administrative	22,132	20,735	1,397	6.7 %
Acquisition-related and other	695	961	(266)	(27.7)%
Bad debt	118	3,752	(3,634)	(96.9%)
Total operating expenses	$ 51,534	$ 43,588	$ 7,946	18.2 %

The increase in our personnel expenses in 2023 compared to 2022 was primarily due to the hiring of additional staff to support higher levels of projected revenue from existing and expanded operations, as well as increased headcount arising from the Kind Acquisition and, to a lesser extent, our other recent acquisitions. Personnel costs increased to approximately 15% of revenue in 2023 compared to approximately 11% of revenue in 2022.

The increase in our marketing and promotion expenses in 2023 compared to 2022 was primarily attributable to our focused efforts to upgrade our marketing initiatives in order to expand branding and distribution of our licensed products. Marketing and promotion costs increased to approximately 4% of revenue in 2023, compared to approximately 3% of revenue in 2021.

The increase in our general and administrative expenses in 2023 compared to 2022 was primarily attributable to higher facility-related, travel and entertainment, and insurance-related expenses, partially offset by lower costs in connection with our equity programs and lower bad debt expense. These decreases were partially offset by higher facilities-related and depreciation expenses.

Acquisition-related and other expenses include those expenses related to acquisitions and other significant transactions that we would otherwise not have incurred, and include professional and services fees, such as legal, audit, consulting, paying agent and other fees. We incurred $0.7 million of acquisition-related and other expense in 2023, primarily related to our acquisitive activities. We incurred $1.0 million of acquisition-related and other expenses in 2022, primarily related to the Kind Acquisition in April 2022 and the July 2022 listing of our common stock on the Canadian Securities Exchange.

Overall, the increase in our operating expenses in 2023 compared to 2022 was primarily attributable to our higher personnel, marketing and general and administrative expenses, partially offset by lower bad debt and acquisition-related and other expenses.

Interest Expense, Net

Interest expense primarily relates to interest on mortgages and notes payable and, effective in 2023, the CA Credit Agreement (as described below) and, to a lesser extent, the CREM Loan (as described below). Interest income primarily relates to our notes receivable. Other expense, net, includes gains (losses) on changes in the fair value of our investments and other investment-related income (expense).

Our net interest expense increased by $8.2 million in 2023 compared to 2022, primarily due to interest or the CA Credit Agreement and expense related to the fair value adjustment to notes payable in connection with our early repayment of the notes payable for the Kind Acquisition.

Loss on Extinguishment of Debt

On November 16, 2023, we repaid and retired the term loan outstanding under the CA Credit Agreement (the "CA Term Loan Payoff") using proceeds from the CREM Loan entered into on the same day. 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. We also repaid the mortgage with Bank of New England related to our Massachusetts facilities in New Bedford and Middleborough (the "BNE Payoff") and concurrently, we refinanced these properties under the CREM Loan. In connection with these early repayments, we recognized losses aggregating $10.4 million, comprised of $10.2 million in connection with the CA Term Loan Payoff and $0.2 million in connection with the BNE Payoff.

Other Expense, Net

We reported net other expense of $1.6 million and $0.1 million in 2023 and 2022, respectively. The 2023 expense is primarily comprised of $0.9 million for the write-off of assets in the first quarter of 2023 in connection with our decision to cancel our plans to expand into Nevada and a $0.7 million term loan payment that we initiated in error to an account provided in a fraudulent email we received. We were initially advised by JPM Chase, the recipient's bank ("Chase") that we had identified the problem before the payment was delivered to the account identified by the email, and that the funds were being held by Chase pending its completion of an internal investigation. Chase has subsequently advised us that the funds were delivered to the fraudulent recipient's account. We continue to pursue all channels through our bank to recover these funds. In addition, we initiated, and are pursuing, a claim under our insurance coverage to recover this amount. There is no assurance that we will successfully recover all or any portion of this amount, including under our insurance claim. We reduced our cash balance and included this amount as a component of Other expense, net, in our consolidated statement of operations for the year ended December 31, 2023. If these funds, or any portion of these funds, are recovered, we will reverse the expense accordingly. We have implemented additional safeguards to protect ourselves from future fraudulent activity; please see Part I, Item 1A. Risk Factors and Item 1C. Cybersecurity for further information. We recorded nominal net other expense for 2022, comprised of $1.0 million of non-cash income from the sale of an investment, virtually offset by a $1.1 million loss from the change in fair value of other investments.

Income Tax Provision

We recorded income tax provisions of $9.4 million and $5.9 million in 2023 and 2022, respectively. The provision recorded for both 2023 and 2022 was due in part to the impact of Section 280E of the Internal Revenue Code, which prohibits the deduction of certain ordinary business expenses.

Liquidity and Capital Resources

We had cash and cash equivalents of $14.6 million and $9.7 million at December 31, 2023 and 2022, respectively. In addition to the discussions below of our cash flows from operating, investing, and financing activities, please also see our discussion of non-GAAP Adjusted EBITDA in the section “Non-GAAP Measurement” below, which discusses an additional financial measure not defined by GAAP, which our management also uses to measure our liquidity.

CA Credit Agreement

On January 24, 2023, we 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 Therapeutics seller notes incurred in connection with the Kind Acquisition, which repayment occurred on January 24, 2023. The remaining balance, if any, was expected to be used to fund acquisitions.

The CA Credit Agreement provided for $35.0 million in principal borrowings at our 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 elect to fund such incremental term loan. $30.0 million of loan principal was funded at the initial closing (the "Term Loan") and we had the option, during the six-month period following the initial closing, to draw down an additional $5.0 million, which we did not elect to do. The loans 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 Credit Agreement.

At any time, we 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.

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 our ability to incur additional indebtedness and grant liens that are otherwise not permitted, among others. Additionally, the CA Credit Agreement required us to meet certain financial tests. We were in compliance with the CA Credit Agreement covenants at all times while the Term Loan was outstanding.

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, we issued to the CA Lenders warrants to purchase an aggregate of 19,148,936 shares of our common stock at $0.47 per share, exercisable for a five-year period following issuance.

On November 16, 2023 (the "Payoff Date"), we 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 (described below). 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. We recognized a loss of $10.2 million in connection with the Term Loan Payoff.

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%. We 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 our Hagerstown, Maryland cultivation facility (the "Hagerstown Facility"). Any unused proceeds will be released to us after completion of the Hagerstown Facility expansion. We used $46.8 million of the Initial CREM Distribution to fully repay certain of our outstanding debt. These payments were comprised of $32.7 million to repay the Term Loan, $11.9 million to repay the mortgage with Bank of New England for our New Bedford, MA and Middleborough, MA properties (the "BNE Mortgage"), and $2.2 million to reduce the outstanding balance of the note we issued in connection with the Ermont Acquisition. Concurrent with the repayment of the BNE Mortgage, we refinanced these 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 amount in our consolidated balance sheet at December 31, 2023.

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.

Cash Flows from Operating Activities

Our primary sources of cash from operating activities are from sales to customers in our dispensaries and to our wholesale customers. We expect cash flows from operating activities to be affected by increases and decreases in sales volumes and timing of collections, and by purchases of inventory and shipment of our products. Our primary uses of cash for operating activities are for personnel costs, purchases of packaging and other materials required for the production and sale of our products, and income taxes.

Our operating activities provided $7.9 million and $7.3 million of cash in 2023 and 2022, respectively. The change in cash from operating activities in 2023 compared to 2022 was primarily attributable to $6.4 million of cash used to pay income taxes in the current year period, compared to $14.6 million in the same prior year period, coupled with higher expenses arising from expanding our sales activities, facilities and geographic footprint, both in the states where we currently operate and to expand into other states.

Cash Flows from Investing Activities

Our investing activities used $26.0 million and $26.2 million of cash in 2023 and 2022, respectively. We used $20.1 million of cash for purchases of property and equipment in 2023, compared to $12.1 million in 2022. This increase is primarily due to our expansion activities, resulting in the buildout of certain facilities to add cultivation and processing functionality and capacity. We used $3.0 million of cash for purchase consideration in connection with the Ermont

Acquisition in March 2023, and an aggregate of $12.8 million for cash consideration in connection with the Kind Acquisition and Green Growth Acquisition in April 2022 and May 2022, respectively.

Cash Flows from Financing Activities

Our financing activities provided $23.0 million of cash in 2023 and used $1.0 million of cash in 2022.

In 2023, we received proceeds of $29.1 million from the CA Credit Agreement, of which we used $5.5 million to repay in full the notes previously issued to the sellers of Kind as part of the purchase consideration for the Kind Acquisition. We received $53.6 million from the CREM Loan, of which we used $46.8 million in the aggregate to repay and retire the CA Credit Agreement and our mortgage with Bank of New England for our Massachusetts facilities in New Bedford and Middleborough, including prepayment penalties, and reduce the balance on our notes payable in connection with the Ermont Acquisition. Concurrent with the repayment to Bank of New England, we refinanced these properties through the CREM Loan.

In 2022, we paid $2.0 million of cash to redeem the outstanding minority interests in one of our majority-owned real estate subsidiaries, made $1.5 million of aggregate principal payments on our outstanding mortgages and notes payable, and made distribution payments and finance lease principal payments aggregating $0.5 million. These amounts were partially offset by $3.0 million of proceeds from a new mortgage on one of our facilities in Illinois.

Based on our current expectations, we believe our current cash and future funding opportunities will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next twelve months. The rate at which we consume cash is dependent on the cash needs of our future operations, including our contractual obligations at December 31, 2023, and our ability to raise additional cash through financing activities. Our contractual obligations at December 31, 2023 were primarily comprised of our outstanding CREM Loan, mortgages and promissory notes, as well as our operating leases. Our CREM Loan, mortgage and promissory note obligations totaled approximately $66 million at December 31, 2023.

Non-GAAP Measurement

In addition to the financial information reflected in this report, which is prepared in accordance with GAAP, we are providing a non-GAAP financial measurement of profitability – *Adjusted EBITDA* – as a supplement to the preceding discussion of our financial results.

Our management defines Adjusted EBITDA as income from operations, determined in accordance with GAAP, excluding the following:

- depreciation and amortization of property and equipment;
- amortization of acquired intangible assets;
- impairments or write-downs of acquired intangible assets;
- stock-based compensation;
- acquisition-related and other;
- legal settlements; and
- acquisition-related and other.

Management believes that Adjusted EBITDA is a useful measure to assess our performance and liquidity, as it provides meaningful operating results by excluding the effects of expenses that are not reflective of our operating business performance. In addition, our management uses Adjusted EBITDA to understand and compare operating results across accounting periods, and for financial and operational decision-making. The presentation of Adjusted EBITDA is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP.

Management believes that investors and analysts benefit from considering Adjusted EBITDA in assessing our financial results and our ongoing business, as it allows for meaningful comparisons and analysis of trends in the business. Adjusted EBITDA is used by many investors and analysts themselves, along with other metrics, to compare financial results across accounting periods and to those of peer companies.

As there are no standardized methods of calculating non-GAAP measurements, our calculations may differ from those used by analysts, investors, and other companies, even those within the cannabis industry, and therefore may not be directly comparable to similarly titled measures used by others.

Reconciliation of Income from Operations to Adjusted EBITDA (a Non-GAAP Measurement)

The table below reconciles Income from operations to Adjusted EBITDA for the years ended December 31, 2023 and 2022 (in thousands):

	Year ended December 31,	
	2023	2022
GAAP Income from operations	$ 14,385	$ 20,369
Depreciation and amortization of property and equipment	5,549	3,432
Amortization of acquired intangible assets	3,025	1,282
Stock-based compensation	1,020	6,338
Acquisition-related and other	695	961
Adjusted EBITDA	$ 24,674	$ 32,382

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenue, or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Inflation

In the opinion of management, inflation has impacted the Company through increased costs of ingredients, nutrients and packaging. The Company recently negotiated with certain of our suppliers to reduce our costs for future purchases of ingredients, nutrients and packaging, all of which have increased significantly as a result of current economic conditions.

Seasonality

In the opinion of management, the Company's financial condition and results of its operations are not materially impacted by seasonal sales.

Recent Accounting Pronouncements

The Company has reviewed all other recently issued, but not yet effective, accounting pronouncements, and does not believe the future adoption of any such pronouncements will have a material impact on its financial condition or the results of its operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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