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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

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

For the transition period from __________________ to __________________

Commission File number 0-54433

MARIMED INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	27-4672745
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

10 Oceana Way
Norwood, MA 02062
(Address of Principal Executive Offices)

617-795-5140
(Registrant's Telephone Number, Including Area Code)

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

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.001 par value
(Title of Class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

[ ] Large Accelerated Filer	[X] Accelerated Filer
[ ] Non-Accelerated Filer	[X] Smaller reporting company
	[X] Emerging growth company

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of June 28, 2019 of $2.02 per share, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $264.7 million.

At March 31, 2020, the issuer had outstanding 230,292,407shares of Common Stock, par value $.001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

The information in response to Part III of this Report are incorporated herein by reference to the registrant's Definitive Proxy Statement, to be filed on or before April 29, 2020, with respect to its 2020 Annual Meeting of Stockholders.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

PART I

ITEM 1. BUSINESS.

Overview

MariMed Inc. (the "Company") is a leader in the emerging cannabis industry. The Company is an expert in the development, operation, management and optimization of facilities for the cultivation, production and dispensing of medicinal and recreational cannabis and cannabis-infused products. To date, the Company has developed in excess of 300,000 square feet of state-of-the-art, regulatory-compliant facilities in five states – Delaware, Illinois, Maryland, Massachusetts, and Nevada.

At the outset of the Company's entrance into the cannabis industry, the Company provided advisory services and assistance to its clients in the procurement of state-issued cannabis licenses, leased its aforementioned cannabis facilities to these newly-licensed clients, and provided industry-leading expertise and oversight in all aspects of their cannabis operations, as well as ongoing regulatory, accounting, human resources, and administrative services. During this time, the Company successfully secured, on behalf of its clients, 13 cannabis licenses across six states – two in Delaware, three in Illinois, one in Nevada, one in Rhode Island, three in Maryland, and three in Massachusetts.

Since entering the cannabis industry, the Company has demonstrated an excellent track record developing and operating licensed cannabis facilities, implementing its proprietary operating procedures, and industry best practices. In 2018, the Company commenced a strategic plan to transition from an advisory firm that provides cannabis licensing, operational consulting and real estate services, to a direct owner of cannabis licenses and operator of seed-to-sale operations, dedicated to the improvement of health and wellness through the use of cannabinoids and cannabis products.

The Company's strategic plan consists of the acquisition of its cannabis-licensed clients who currently lease the Company's facilities, and the consolidation of these entities under the MariMed banner. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these facilities and manage the continuing growth of their operations.

A goal in completing this transition is to present a simpler, more transparent financial picture to the investor community. Once the consolidation is complete, the Company's financial statements will provide a clearer representation of the revenues, earnings, and other financial metrics that the Company is generating, rather than a fee-for-service revenue model that reports only consulting and management fees, and does not reflect the full breadth of the Company's overall business.

To date, acquisitions of the licensed businesses in Massachusetts and Illinois have been state-approved and completed, with the remaining entities located in Maryland, Nevada, and Rhode Island at various stages of completion and state approvals as further discussed below. When implemented, all of the Company's cannabis-licensed clients will be fully consolidated into the Company, establishing it as a fully integrated seed-to-sale multistate operator of licensed cannabis businesses.

Each of the remaining potential acquisitions is subject to the respective state's approval under its laws governing the ownership and transfer of cannabis licenses. The completion of the entire plan requires a modification of current cannabis license ownership laws in in Delaware and Rhode Island, and therefore there is no assurance that the Company will be successful in fully implementing its plan. However, the Company continues to develop additional revenue and business in the states in which it operates and plans to leverage its success in these markets to expand into other states where cannabis is and becomes legal.

The Company has also created its own brands of precision-dosed, cannabis-infused products designed to treat specific health conditions, alleviate medical symptoms, or achieve a certain effect. These products are developed by the Company in cooperation with state-licensed facilities and operators who meet the Company's strict standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its product formulations only to knowledgeable manufacturing professionals who agree to adhere to the Company's precise scientific formulations using its trademarked product recipes.

The Company's branded products are licensed under brand names including Kalm Fusion™, Nature's Heritage™, and Betty's Eddies™, and are distributed in the form of dissolvable strips, tablets, powders, microwaveable popcorn, fruit chews, and with more varieties in development. The Company also has exclusive sublicensing rights in certain states to distribute DabTabs™ vaporization tablets infused with cannabis concentrates, the Binske® line of cannabis products made from premium artisan ingredients, and the clinically tested medicinal cannabis strains developed in Israel by Tikun Olam™. The Company intends to continue licensing and distributing its brands as well as other top brands in the Company's current markets and in partnerships in other state markets across the country where product sale is legal.

In anticipation of the growing demand for hemp-derived cannabidiol ("CBD"), in 2018, the Company invested $30.0 million in GenCanna Global Inc. ("GenCanna"), a Kentucky-based cultivator, producer, and distributor of hemp and GMP-quality CBD oils and isolates. Concurrent with this investment, the Company acquired MediTaurus LLC ("MediTaurus"), a company operating in the United States and Europe that has developed proprietary CBD formulations under its Florance™ brand.

The transactions with GenCanna and MediTaurus, along with the Company's cannabis platform and product experience, enabled the Company to expand into the emerging global CBD market just as the U.S Farm Bill was adopted in late 2018 which descheduled industrial hemp and hemp-derived CBD as controlled substances and classified them as agricultural commodities. This new law enabled a new emerging industry of CBD oils, isolates, and infused products within the United States. In early 2019, the Company established a wholly owned subsidiary, MariMed Hemp Inc. ("MariMed Hemp") to market and distribute hemp-derived CBD products across several vertical markets.

Over the Company's short history operating in the cannabis industry, it has fostered an excellent reputation for strong management, with clients that have thrived in their respective markets. The Company's goal is to continue this success as it transitions from a manager and advisor to an owner and operator of cannabis businesses. The Company's strengths can be summarized as follows:

Professional Management

The Company's management is one of the most experienced and long-tenured in the cannabis industry. It has had considerable success creating and developing defined business, operating and security plans; sourcing real estate for cannabis facilities in receptive municipalities; and raising capital to purchase and develop facilities; adhering operations to regulations established by individual state governments, and writing award-winning applications for clients applying for licenses in new and established cannabis-legal states. These skills are important as the Company expands its footprint into new states on both a direct ownership and management services basis.

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

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

Cannabis Brand Creation

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

Investment in Hemp Production, Branding, and Distribution

The Company has the potential for vast growth in the hemp-derived CBD market. It was one of the first cannabis companies to expand in the CBD market with its investment in GenCanna, which will ensure the Company has access to a safe and reliable source of hemp-derived CBD to meet the increasing market demand for CBD-infused products.

GenCanna planted and harvested in excess of 6,000 acres in 2019, making it one of the largest hemp producers in the United States. In recent months GenCanna has found itself in a difficult financial situation which has had a direct impact on the Company's financial results as further described below.

Technological and Scientific Innovation

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

Education and Knowledge Sharing

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

As part of its education initiative, the Company is assembling a Scientific Advisory Board (the "SAB") that includes some of the most knowledgeable scientists and researchers focused on the scientific application of cannabis and hemp for health and wellness. The SAB's goals will include the development of strategies to address the most widespread and debilitating medical and dietary conditions through the utilization of cannabis- and hemp-based therapies.

Cannabis Consolidation Plan

The following is a summary of the progress the Company has made towards its strategic transition from a management and advisory firm in the cannabis space, to a direct owner of cannabis licenses and seed-to-sale operations across six states – DE, IL, NV, MD, MA, and RI.

Massachusetts

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

The Company's 10,000 square foot dispensary, developed within its 22,700 square foot property in Middleboro, received approval from the MCCC to commence operations in December 2019. The Company's recently- completed 70,000 square foot cultivation and production facility, developed within its 138,000 square foot property in New Bedford, received approval from the MCCC to commence operations in January 2020, with its first harvest to be completed in the first quarter of 2020,

Illinois

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

Effective October 1, 2019, 100% of the operations of these entities have been consolidated into the Company's financial statements. Additionally, on January 1, 2020, the IDFPR legalized recreational adult-use cannabis, allowing the Company to operate both medical and recreational adult-use programs in the Anna and Harrisburg dispensaries. Under this new law, the Company has the right to open two additional dispensaries under the current licenses, which are in the planning stages.

Maryland

In December 2018, the Company entered into a memorandum of understanding ("MOU") to acquire Kind Therapeutics USA Inc. ("Kind"), its cannabis-licensed client that holds licenses for the cultivation, production, and dispensing of medical cannabis. The MOU provides for a total purchase price of $6.3 million in cash, 2,500,000 shares of the Company's common stock, and other consideration. The acquisition is subject to approval by the Maryland Medical Cannabis Commission, which approval is not expected prior to October 2020.

Also in December 2018, MariMed Advisors Inc, the Company's wholly owned subsidiary, and Kind entered into a management agreement to provide Kind with comprehensive management services in connection with the business and operations of Kind, and Mari Holdings MD LLC, the Company's majority-owned subsidiary, entered into a 20-year lease with Kind for Kind's utilization of the Company's 180,000 square foot cultivation and production facility in Hagerstown, MD. Additionally, in October 2019, the Company purchased a 9,000 square foot building in Anne Arundel County which it is developing into a dispensary.

The current owners of Kind have attempted to renegotiate the terms of the MOU, even though the MOU contain all the definitive material terms with respect to the acquisition transaction and confirms the management and lease agreements. The Company engaged with the sellers in good faith in an attempt to reach updated terms acceptable to both parties, however the sellers failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings. As a result, the consummation of this acquisition will likely be delayed and may not ultimately be completed. For further information, see Part II, Item 1. *Legal Proceedings* in this report.

Nevada

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

Delaware

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

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

The state is expected to allow "for-profit" ownership of cannabis licenses in the near future, at which time the Company will seek to acquire FSCC and obtain ownership of the licenses and operations.

Rhode Island

Rhode Island currently has a medical cannabis program where license holders must be not-for-profit entities. The Company is in continuing discussions to acquire, subject to state approval, ownership interests of the management company that oversees the operations of the Company's client, the Thomas C. Slater Compassion Center ("Slater"). If the transaction is completed, the Company will generate management fees until the state allows "for-profit" ownership, at which time the Company will seek to acquire Slater's cannabis licenses and operations.

Significant Transactions in the Current Period

During 2019, the Company, through its MariMed Hemp subsidiary, entered into several hemp seed sale transactions with GenCanna whereby the Company acquired large quantities of top-grade feminized hemp seeds with proven genetics at volume discounts that it sold to GenCanna at market rates. The seeds met the U.S. government's definition of federally legal industrial hemp, which was descheduled as a controlled substance and classified as an agricultural commodity upon the signing of the 2018 U.S. Farm Bill.

The Company purchased $20.75 million of hemp seed inventory which it sold and delivered to GenCanna for $33.2 million. The Company provided GenCanna with extended payment terms through December 2019, to coincide with the completion of the seeds' harvest, although the payment by GenCanna was not contingent upon the success of such harvest or its yield. To partially fund the seed purchases, the Company raised $17.0 million in debt financings.

By the end of 2019, GenCanna had not paid the amount it owed the Company for its seed purchases due to several challenges it faced late in the year, including a fire at its main processing and lab facility, the domestic decline of CBD selling prices, and the contraction of the cannabis capital markets. In February 2020, GenCanna filed for voluntary reorganization under Chapter 11 with the U.S. Bankruptcy Court in the Eastern District of Kentucky. The filing is intended to permit GenCanna to operate its business while working through a reorganization plan that could include refinancing of its existing indebtedness, or an alternative restructuring transaction such as a sale.

As required by the relevant accounting guidance, the Company initially recorded the $33.2 million due from GenCanna as a related party receivable, with approximately $29.0 million recognized as related party revenue, and approximately $4.2 million classified as unearned revenue (such amount representing the Company's 33.5% ownership portion of the profit on these transactions, which was to have been recognized as revenue upon payment by GenCanna). As a result of GenCanna's Chapter 11 filing, the Company wrote off the receivable balance of approximately $29.0 million and the unearned revenue balance of approximately $4.2 million. Additionally, the Company recorded a charge to net income of approximately $30.2 million, which reduced to zero the carrying value of the Company's investment in GenCanna.

GenCanna recently announced the completion of one the largest recorded hemp harvests in Kentucky, which exceeded 6,000 acres. The Company's management believes that GenCanna's Chapter 11 filing and ensuing restructuring will facilitate GenCanna's ability to refinance its senior debt and arrange for the orderly payment of amounts due to its creditors, including the $33.2 million owed to the Company; however, there are no assurances that it will achieve this outcome or that the amount owed to the Company will be paid.

In addition to the foregoing adjustments, the Company recorded bad debt reserves in 2019 against the receivable and working capital balances due from (i) Kind of approximately $11.2 million in the aggregate, in light of the ongoing litigation between the Company and Kind, and (ii) Harvest of approximately $2.2 million in the aggregate, due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic. These charges are further described in the footnotes accompanying the Company's audited financial statements included in this report.

The Company expects the coronavirus pandemic to likewise have a negative impact on the operations of certain entities in which the Company has invested and to whom the Company has extended loans. For that reason, the Company also wrote off (i) three notes receivable balances of approximately $1.6 million in the aggregate, (ii) goodwill of approximately $2.7 million associated with the Company's acquisition of MediTaurus, and (iii) the carrying value of a $500,000 investment. These items are further described in the footnotes accompanying the Company's audited financial statements included in this report.

Corporate History

The Company was incorporated in the state of Delaware in January 2011 as a wholly-owned subsidiary of Worlds Inc. (formerly Worlds.com Inc.) under the name Worlds Online Inc. In May 2011, Worlds Inc. spun-off the Company to its stockholders. At its inception, the Company operated online virtual environments which did not gain traction with users.

In early 2014, the Company transitioned its operational focus to the emerging cannabis industry and made its first acquisition of a cannabis business.

In June 2017, the Company changed its name to MariMed Inc. and its ticker symbol to MRMD. The Company's common stock is quoted on the OTCQX exchange.

In July 2017, Robert Fireman was named as the Company's CEO and President, and Jon R. Levine as the CFO, Treasurer, and Secretary.

In October 2017, the Company acquired the intellectual property, formulations, recipes, proprietary equipment, know-how, and other certain assets of the Betty's Eddies™ brand of cannabis-infused fruit chews.

In April 2018, the Company acquired iRollie LLC, a manufacturer of branded cannabis products and accessories for consumers, and custom product and packaging for companies in the cannabis industry.

In August 2018, the Company purchased a 23% ownership interest in an entity that provides a customer relationship management and marketing platform, branded under the name Sprout, specifically designed for companies in the cannabis industry. In early 2020, Sprout was being used by over 150 cannabis dispensaries.

During the period September 2018 to November 2018, in a series of investments, the Company purchased an aggregate of $30.0 million of subordinated secured convertible debentures of GenCanna. In February 2019, the Company converted the debentures plus accrued interest through the conversion date into a 33.5% equity interest of GenCanna on a fully diluted basis.

In October 2018, the Company entered into a purchase agreement to acquire KPG of Anna LLC and KPG of Harrisburg LLC, the Company's two cannabis-licensed clients that operate medical marijuana dispensaries in the state of Illinois (both entities collectively, the "KPGs"), and the KPGs' owners' interests in Mari Holdings IL LLC, the Company's subsidiary that owns the real estate where the KPGs' two dispensaries are located. On October 1, 2019, the Illinois Department of Financial & Professional Regulation approved the Company's acquisition of the KPGs and Mari-IL. As of such date, the KPGs and Mari-IL are wholly-owned subsidiaries of the Company. On January 1, 2020, the state legalized adult-use cannabis, which was added to the Company's two existing cannabis licenses, thereby increasing the Company's operations in the state to service both medical and recreational cannabis consumers.

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

In November 2018, the Company issued a letter of intent to acquire The Harvest Foundation LLC, the Company's client awarded a cannabis license for cultivation in the state of Nevada. In August 2019, the parties entered into a purchase agreement governing the transaction. The acquisition is conditional upon state approval, which is expected to occur by the end of 2020.

In December 2018, the Company executed a memorandum of understanding ("MOU") to acquire Kind Therapeutics USA Inc. ("Kind"), its client in the state of Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis. The MOU provides for a total purchase price of $6.3 million in cash, 2,500,000 shares of the Company's common stock, and other consideration. The transaction is subject to the approval by the Maryland Medical Cannabis Commission, which approval was not expected prior to October 2020. Recently, the sellers of Kind have attempted to renegotiate the terms of the MOU. Even though the MOU contains all the definitive material terms with respect to the acquisition transaction and confirms certain management and lease agreements, the selling parties now allege that the MOU is not an enforceable agreement. The Company engaged with the sellers in good faith in an attempt to reach updated terms acceptable to both parties, however the sellers failed to reciprocate in good faith, resulting in an impasse. Incrementally, both parties through counsel further sought to resolve the impasse, however such initiative resulted in both parties commencing legal proceedings, which are currently pending. For further information, see Part II, Item 1. *Legal Proceedings* in this report.

In December 2018, the Company and Kind entered into a management service agreement to whereby the Company provides Kind with comprehensive management services, and a 20-year lease with for the leasing to Kind of the Company's 180,000 square foot facility in Hagerstown, Maryland.

In January 2019, the Company entered into an agreement with Maryland Health & Wellness Center Inc. ("MHWC"), an entity that has been pre-approved for a cannabis dispensing license, to provide MHWC with a $300,000 construction loan in connection with the buildout of MHWC's proposed dispensary location. Upon the two-year anniversary of final state approval of MHWC's dispensing license, the Company shall have the right, subject to state approval, to convert the promissory note underlying the construction loan into 20% ownership of MHWC. The Company also entered into a consulting services agreement to provide MHWC with advisory and oversight services over a three-year period relating to the development, administration, operation, and management of MHWC's proposed dispensary in Maryland.

In January 2019, the Company converted a $250,000 note receivable from Chooze Corp., an entity that develops CBD- and THC-infused products intended to prevent debilitating side effects, into a 2.7% ownership interest in the entity.

In January 2019, the Company established MariMed Hemp Inc., a wholly-owned subsidiary to develop, market, and distribute hemp-based CBD brands and products, and to provide hemp producers with bulk quantities of hemp genetics and biomass. During the quarter ended September 30, 2019, MariMed Hemp launched Hemp Engine™, a store-within-a-store turnkey distribution platform of CBD-based products for retailers.

In May 2019, the Company issued 500,000 shares of its common stock in exchange for an 8.95% interest in Terrace Inc. ("Terrace"), a Canadian entity that develops and acquires international cannabis assets. In November 2019, the common stock of Terrace commenced public trading on the Toronto Stock Venture Exchange

In June 2019, the Company executed a purchase agreement to acquire MediTaurus LLC, a company established by Jokubas Ziburkas PhD, a neuroscientist and leading authority on hemp-based CBD and the endocannabinoid system. MediTaurus operates in the United States and Europe and has developed proprietary CBD formulations sold under its Florance™ brand.

In July 2019, the Company entered into a licensing agreement for the exclusive manufacturing and distribution in seven states of the Binske® portfolio of products, a brand known for utilizing best-in-class proprietary strains and craft ingredients in its edibles, concentrates, vaporizers, and topicals.

In August 2019, the Company extended a loan of $250,000 to High Fidelity Inc., a company that owns and operates two seed-to sale medical marijuana facilities in the state of Vermont, and produces its own line of CBD products.

In October 2019, the Company closed on the purchase of a 9,000 square foot building in Annapolis, MD which it intends to develop into a medical marijuana dispensary.

Competition

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

Additionally, while Company has a comprehensive suite of products and services for the cannabis industry, it faces competition from companies of varying sizes and geographic reach, who produce and sell similar products. Some of these companies provide a subset of the Company's product and service offerings, while others are able to provide an equivalent level of the products and services offered by the Company. The Company's sales could be reduced significantly if its competitors develop and market products that are more effective, more convenient, or are less expensive than its products. Going forward, as cannabis and hemp products become more mainstream and have greater acceptance, it is likely that larger and more established companies, with greater available resources including name recognition and national distribution networks, will enter the field. At the same time, the Company believes the emerging cannabis industry is growing at such a pace that there are more opportunities available than current cannabis businesses can support. With abundant opportunities, the Company at times works with others to insure a positive image in new and emerging states. Until recently, the black market and illegal cannabis traffickers that controlled this industry years ago from the shadows are a lesser competitive threat as such groups are diminishing.

Intellectual Property

The Company has currently filed for trademark protection for its Kalm Fusion™ and Betty's Eddies™ branded product lines.

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

Employees

As of December 31, 2019, the Company had a total of 97 employees, of which 81 were full-time. In addition, the Company utilized a variety of supporting consultants and oversaw many employees of its cannabis-licensee clients to implement its policies and procedures.

Website Access to Company Reports

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

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

ITEM 1A. RISK FACTORS

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

Risks related to the Company's operations

Our auditors have expressed doubt as to our ability to continue as a going concern.

In their report on our December 31, 2019 financial statements, our auditors expressed substantial doubt as to our ability to continue as a going concern. A going concern qualification could impair our ability to finance our operations through the sale of debt or equity securities. Our ability to continue as a going concern will depend, in large part, on our ability to obtain additional financing and generate positive cash flow from operations, neither of which is certain. If we are unable to achieve these goals, our business would be jeopardized and we may not be able to continue operations.

Additional Financing Requirements and Access to Capital.

In order to fund necessary working capital to implement our business consolidation plan and satisfy current debt obligations, we will have to obtain debt financing, and/or sell additional equity securities in future financings. Additional equity financings may cause further dilution for existing stockholders. Current markets conditions and the COVID-19 pandemics impact on the global economy are having a significant adverse impact on both debt and equity financings. There can be no assurance that any such additional financing will be available or, if available, that its terms will be satisfactory to us. In addition, our costs and expenses may be higher than anticipated, and there can be no assurance that we will not be required to seek additional financing to meet our operating cash requirements or other financing and debt service needs. Failure to obtain additional financing would have material adverse effect on our results of operation and, could result in our defaulting under current debt payment obligations.

Raising additional funds by issuing convertible debt or equity securities may cause dilution to our existing stockholders, restrict our operations or require us to relinquish proprietary rights.

To the extent that we raise additional capital by issuing convertible debt or equity securities, the share ownership of existing stockholders will be diluted. Further, any future debt financing may involve covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, redeem our stock, make certain investments and engage in certain merger, consolidation or asset sale transactions, among other restrictions. In addition, future debt financings may require us to pledge certain assets as security for such debt.

Marijuana remains illegal under federal law.

Marijuana remains illegal under federal law. It is a Schedule I controlled substance. Even in those jurisdictions in which the use of medical marijuana has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana trumps state laws that legalize its use for even medicinal purposes. At present the states are standing tall against the federal government, maintaining existing laws and passing new ones in this area. States continue to exert this freedom notwithstanding Attorney General Sessions officially leaving prosecution discretion against state licensed cannabis facilities to local US Attorneys district by district, which position has yet to be addressed by Attorney General Barr. This was a change from the Obama administration which under Attorney General Holder, had a policy decision to allow states to implement these laws and not prosecute anyone operating in accordance with applicable state law. The United States House of Representatives continues to not fund in the budget any funds for the Department of Justice to prosecute state compliant licensed cannabis companies. However, we continually face election cycles, and a new administration or the United States Congress could introduce a less favorable policy. A change in the federal attitude towards enforcement could cripple the industry. However, the medical marijuana industry is our primary target market, and if this industry was unable to operate, we would lose the majority of our potential clients, which would have a significantly negative impact on our business, operations and financial condition.

Our continued growth is dependent on additional states legalizing marijuana.

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

It will be difficult for you to evaluate us based on our past performance because we are a relatively new company in a new emerging industry with a limited operating history.

We have been actively engaged in the marijuana related business for a relatively short period of time and, accordingly, have only limited financial results on which you can evaluate our company and operations. We are subject to, and must be successful in addressing, the risks typically encountered by new enterprises and companies operating in the rapidly evolving cannabis marketplace, including those risks relating to:

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

The medical cannabis industry faces strong opposition from traditional medicines.

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

Our clients may have difficulty accessing the service of banks, which may make it difficult for them to purchase our products and services.

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

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

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

Our limited resources may restrict our ability to manage any growth we may experience.

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

The market may not readily accept our products.

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

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

If we are unable to protect our intellectual property rights, competitors may be able to use our technology or trademarks, which could weaken our competitive position.

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We also intend to enter into confidentiality or license agreements with our employees, consultants and customers, and control access to and distribution of our products, and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products.

If we lose our key employee or fail to hire and retain other talented employees when necessary, our operations could be harmed.

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

In order to sustain and grow our business, we must be able to enhance our existing products and develop and introduce new products and services to respond to changing market demand.

The markets in which we operate are characterized by frequently changing customer demand and the introduction of new products and services. In order to be successful, we must be able to enhance our existing services and products and develop and introduce new products and services to respond to changing market demand. The development and enhancement of services and products entails significant risks, including:

- the failure to conform our services and products to evolving industry standards;
- the inability to develop, introduce and market enhancements to our existing services and products or new services and products on a timely basis; and
- the non-acceptance by the market of such new service and products.

We currently have only limited resources to enhance our technology or to develop new products.

We face competition from entities with greater resources than we have.

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

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

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

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

Results of clinical research, if unfavorable, could have a negative impact on the industries in which we operate and consequently on our business model.

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Anti-money laundering laws and regulations can limit our ability to access financing and hamper our growth.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("FCEN") of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the "FCEN Memo"). The FCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on Cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a Cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

We face the prospect of claims of product liability if anyone is harmed by our products.

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

We are subject to compliance with environmental regulations which can be onerous and costly.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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

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

We are subject to potential risks related to, and arising from, acquiring companies.

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

In the event we are sued for any reason, we would face potential cost and interference with our business operations.

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

Risks related to the Company's common stock

Possible issuances of our capital stock would cause dilution to our existing shareholders.

We currently have approximately 230.3 million shares of common stock outstanding and we are authorized to issue up to 500 million shares. Therefore, we will be able to issue a substantial number of additional shares without obtaining shareholder approval. In the event we elect to issue additional shares of common stock in connection with any financing, acquisition or otherwise, current shareholders could find their holdings substantially diluted, which means they will own a smaller percentage of our company. In addition, we are authorized to issue up to 50 million shares of preferred stock that our board of directors can issue under any terms it wants and without any shareholder approval.

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

As of December 31, 2019 and 2018, there were 18,051,357 and 18,916,211, respectively, of potentially dilutive securities in the form of outstanding options and warrants. Also as of such dates, there were (i) $10.0 million and $8.6 million, respectively, of outstanding convertible debentures payable, and (ii) $350,000 of outstanding convertible promissory notes in both years, that were potentially dilutive, whose conversion into common stock is based on a discount to the market value of common stock on or about the future conversion date. More convertible securities will likely be granted in the future to our officers, directors, employees or consultants and as part of future financings. The exercise of outstanding stock options and warrants and conversion of notes and debentures will dilute the percentage ownership of our other shareholders. Sales, or the expectation of sales, of a substantial number of shares of our common stock in the private or public markets could adversely affect the prevailing market price of our common stock.

Potential Volatility of Common Share Price

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

(a) the public's reaction to the Company's press releases, announcements and filings with regulatory authorities and those of its competitors;

(b) fluctuations in broader stock market prices and volumes;

(c) changes in market valuations of similar companies;

(d) investor perception of the Company, its prospects or the industry in general;

(e) additions or departures of key personnel;

(f) commencement of or involvement in litigation;

(g) changes in the regulatory landscape applicable to the Company, the dietary supplement and/or the cannabis and hemp industries;

(h) media reports, publications or public statements relating to, or public perceptions of, the regulatory landscape applicable to the Company, the cannabis or the hemp industry, whether correct or not;

(i) announcements by the Company or its competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;

(j) variations in the Company's quarterly results of operations or cash flows or those of other comparable companies;

(k) revenues and operating results failing to meet the expectations of securities analysts or investors in a particular period;

(l) changes in the Company’s pricing policies or the pricing policies of its competitors;

(m) future issuances and sales of the Company’s common stock;

(n) sales of the Company’s common stock by insiders of the Company;

(o) third party disclosure of significant short positions;

(p) demand for and trading volume of the Company’s common stock;

(q) changes in securities analysts’ recommendations and their estimates of the Company’s financial performance;

(r) short-term fluctuation in stock price caused by changes in general conditions in the domestic and worldwide economies or financial markets; and

(s) the other risk factors described in this section or other sections of this 10-K.

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

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

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

We do not expect to declare or pay dividends on the common stock in the foreseeable future. In addition, the payment of cash dividends may be limited or prohibited by the terms of any future loan agreements.

We are subject to “penny stock” regulations which may adversely impact the liquidity and price of our common stock.

Our common stock is currently deemed a “penny stock.” Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information on penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer’s presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer’s account. In addition, broker-dealers who sell such securities to persons other than established customers and accredited investors (generally, those persons with assets in excess of $1,000,000 (excluding the value of their primary residence) or annual income exceeding $200,000 or $300,000 together with their spouse), the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction.

These requirements could reduce the level of trading activity, if any, in the secondary market for our common stock. As a result of the foregoing, our shareholders may find it more difficult to sell their shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

Wilmington, Delaware

The Company owns a 45,070 square foot facility on 2.25 acres within a fenced-in business park which it purchased in September 2016 and developed into a cannabis cultivation, processing, and dispensary facility. The property is secured under a mortgage with the Bank of New England that matures in 2031. The facility is leased to a cannabis licensee company occupying 100% of the space under a 20-year triple net lease expiring in 2035.

Lewes, Delaware

The Company leases 4,000 square feet of retail space in a newly-built multi-use building. This five-year lease with a five-year option to extend the term commenced in October 2016. We built out the space into a cannabis dispensary which is sub-leased to the same licensed cannabis company occupying the Wilmington facility, under a five-year triple net lease with a five-year option to extend.

Milford, Delaware

In March 2019, the Company entered into a lease of a 100,000 square foot warehouse that it intends to build into a cultivation and processing facility. The lease term is 10 years, with an option to extend the term for three additional five-year periods. Construction of the first 60,000 square feet of this facility has commenced and is estimated to be completed by late 2020.

Anna, Illinois

The Company owns a 3,400 free-standing retail building that is secured under a mortgage with DuQuoin State Bank maturing in 2020, provided it is not annually renewed by the bank, which the bank has done every year of this mortgage (the “DSQ Mortgage”). The property is leased to the Company’s state licensed cannabis dispensary under a 20-year triple net lease expiring in 2036.

Harrisburg, Illinois

The Company owns a 3,400 free-standing retail building, also secured under the DSQ Mortgage. The property is leased to the Company’s state licensed cannabis dispensary under a 20-year triple net lease expiring in 2036.

Hagerstown, Maryland

The Company owns a 180,000 square foot manufacturing facility that it has developed into cannabis cultivation and production facility. The property secures a $3 million promissory note to an accredited investor which matures in 2020. This facility is leased to the company’s cannabis licensed client under a 20 year triple net lease expiring in 2038.

Annapolis, Maryland

In October 2019, the Company purchased a free-standing 10,000 square foot industrial building which it is developing into a medical marijuana dispensary.

Clark, Nevada

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

New Bedford, Massachusetts

The Company owns 138,000 square foot industrial property located on 21.95 acres within the New Bedford Industrial Park. The property secures a mortgage with the Bank of New England that matures in 2027. Approximately half of the available square footage is leased to a non-cannabis manufacturing company under a five-year lease. The Company developed the other half of the building into a cannabis cultivation and processing facility which was approved for operations in January 2020.

Middleborough, Massachusetts

In July 2017, the Company purchased a 22,700 square foot retail and warehouse building located on the main street of this municipality. The property secures a $2.0 million promissory note issued to an accredited investor that matures in December 2021. The Company has constructed a 10,000 square foot retail dispensary which will be leased to the same cannabis licensee that leases the Company’s New Bedford facility under a 20-year lease that started in mid-2019.

Norwood Massachusetts

The Company’s corporate offices are located in Norwood, Massachusetts. This 10,000 square foot space is under a 10-year lease expiring in 2028 with a related party which contain a 5-year extension option.

ITEM 3. LEGAL PROCEEDINGS.

In July 2019, Thomas Kidrin, the former chief executive officer and a former director of the Company, filed a complaint in the Massachusetts Superior Court, Suffolk County, captioned Thomas Kidrin v. MariMed Inc., et. al., Civil Action No. 19-2173D. In the complaint, Mr. Kidrin alleges that the Company failed to pay all wages owed to him and breached his employment agreement, dated August 30, 2012, and requests multiple damages, attorney fees, costs, and interest. The Company has moved to dismiss certain counts of the complaint and has asserted counterclaims against Mr. Kidrin alleging breach of contract, breach of fiduciary duty, money had and received, and unjust enrichment. The Company believes that the allegations in the complaint are without merit and intends to vigorously defend this matter and prosecute its counterclaims.

On November 13, 2019, Kind Therapeutics USA Inc. (“Kind”) commenced an action in the Circuit Court for Washington County, MD captioned Kind Therapeutics USA, Inc. vs. MariMed, Inc., et al. (Case No. C-21-CV-19-000670) alleging, inter alia, breach of contract, breach of fiduciary duty, unjust enrichment, and seeking a declaratory judgment, injunctive relief, an accounting and damages in excess of $75,000. On November 15, 2019, the Company filed counterclaims against Kind and a third-party complaint against the Members of Kind (Jennifer DiPietro, Susan Zimmerman, and Sophia Leonard-Burns) and William Tham, alleging breach of contract with respect to each of the Memorandum of Understanding (“MOU”) and the Management Agreement (“MSA”), unjust enrichment, promissory estoppel/detrimental reliance, and fraud in the inducement, and seeking a declaratory judgement that the MOU is an enforceable contract, specific performance of such contact, and the establishment of a constructive trust for the Company's benefit. Both parties, MariMed (including MariMed Holdings MD, LLC and MariMed Advisors, Inc.) and Kind, brought motions for a temporary restraining order and a preliminary injunction. By Opinion and Order entered on November 21, 2019, the Court denied both parties motions for a temporary restraining order. In its opinion, the Court specifically noted that, contrary to Kind's allegations, the MSA and Lease "appear to be independent, valid and enforceable contracts." Each party's preliminary injunction motion is currently pending before the Court. The Company believes that its claims for breach of contract with respect to MOU, the MSA, as well as its claims for unjust enrichment, promissory estoppel/detrimental reliance, and fraud in the inducement are meritorious. Further, the Company believes that Kind's claims against the Company are without merit. The Company intends to aggressively prosecute and defend the action.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

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

Stockholders

As of March 31, 2020, the Company had 728 stockholders of record and 230,292,407 outstanding shares of common stock.

Dividends

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

Recent Sales of Unregistered Securities

In October 2019, the Company issued 1,000,000 shares of common stock representing the purchase price of the acquisition of the KPG's and the minority interests of Mari-IL

In November 2019, the Company sold 215,000 shares of common stock at a price of $0.70 per share, resulting in total proceeds of $150,000. Also during this month, the Company issued 172,663 shares of common stock to settle an outstanding obligation that approximated $121,000.

During the period October 2019 to November 2019, the Company issued three-year and four-year warrants to purchase 510,000 shares of common stock at exercise prices ranging from $0.75 to $1.37 per share.

In December 2019, the holder of Company-issued debentures converted $1,100,000 of principal and approximately $17,000 of accrued interest into subscriptions on 3,004,131 shares of common stock at a conversion price of $0.37 per share. Such common shares were issued in January 2020.

In December 2019, the Company issued 2,435,116 shares of common stock to retire a promissory note with a principal balance of $950,000 and accrued interest of $97,100.

In December 2019, the Company's CEO and an independent board member exercised stock options to purchase 200,000 and 132,499 shares of common stock, respectively, at weighted average exercise prices of $0.11 and $0.08 and $0.14 per share, respectively.

In December 2019, the Company granted 32,726 shares of common stock to employees at an aggregate value of approximately $29,000. These granted shares were issued in January 2020.

During the period October 2019 to December 2019, the Company granted options to purchase 1,665,000 shares of common stock at exercise prices of $0.42 to $1.00 per share. Also during this period, options to purchase 856,251 shares of common stock were forfeited.

The securities described above were issued to accredited investors in private transactions not involving a public offering or the payment of commissions and were deemed to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon Sections 4(a)(2) and/or 4(a)(5) of the Securities Act and Regulation D promulgated thereunder. A legend restricting the sale, transfer, or other disposition of these securities other than in compliance with the Securities Act was placed on the securities issued in the foregoing transactions.

Company Equity Compensation Plans

The following table sets forth information as of December 31, 2019 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders(1)	6,271,250	$ 1.51	38,535,000
Equity compensation plans not approved by stockholders	0	$ 0	0
Total	6,271,250		38,535,000

(1) Consist of options exercisable for (i) 250,000 shares granted under the Company's the 2011 Stock Option and Restricted Stock Award Plan; and (ii) 6,021,250 shares granted under the Incentive Plan (hereinafter defined) of which 4,556,250 shares continue to be subject to the terms of the Company's 2018 Stock Award and Incentive Plan.

In August 2019, the Company's board of directors approved the Amended and Restated 2018 Stock Award and Incentive Plan (the "Incentive Plan"), based on the board's belief that awards authorized under the Incentive Plan provide incentives for the achievement of important performance objectives and promote the long-term success of the Company. In September 2019, the Incentive Plan was approved by the stockholders at the Company's annual stock-holders meeting.

The Incentive Plan is an omnibus plan, authorizing a variety of equity award types as well as cash and long-term incentive awards. An aggregate of 40,000,000 shares are reserved for delivery to participants, and may be used for any type of award under the Incentive Plan. Shares actually delivered in connection with an award will be counted against such number of reserved shares. Shares will remain available for new awards if an award under the Incentive Plan expires, is forfeited, canceled, or otherwise terminated without delivery of shares or is settled in cash. Each award under the Incentive Plan is subject to the Company's claw back policy in effect at the time of grant of the award.

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

ITEM 6. SELECTED FINANCIAL DATA

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

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

Forward Looking Statements

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

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

The following discussion should be read in conjunction with the financial statements and related notes which are included in this report under Item 8.

We do not undertake to update our forward-looking statements or risk factors to reflect future events or circumstances.

Overview

MariMed Inc. (the "Company") is a leader in the emerging cannabis industry. The Company is an expert in the development, operation, management and optimization of facilities for the cultivation, production and dispensing of medicinal and recreational cannabis and cannabis infused products. To date, the Company has developed in excess of 300,000 square feet of state-of-the-art, regulatory-compliant facilities in five states – Delaware, Illinois, Maryland, Massachusetts, and Nevada.

At the outset of the Company's entrance into the cannabis industry, the Company provided advisory services and assistance to its clients in the procurement of state-issued cannabis licenses, leased its aforementioned cannabis facilities to these newly-licensed clients, and provided industry-leading expertise and oversight in all aspects of their cannabis operations, as well as ongoing regulatory, accounting, human resources, and administrative services. During this time, the Company successfully secured, on behalf of its clients, 13 cannabis licenses across six states – two in Delaware, three in Illinois, one in Nevada, one in Rhode Island, three in Maryland, and three in Massachusetts.

Since entering the cannabis industry, the Company has demonstrated an excellent track record developing and operating licensed cannabis facilities, implementing its proprietary operating procedures, and industry best practices. In 2018, the Company commenced a strategic plan to transition from an advisory firm that provides cannabis licensing, operational consulting and real estate services, to a direct owner of cannabis licenses and operator of seed-to-sale operations, dedicated to the improvement of health and wellness through the use of cannabinoids and cannabis products.

The Company's strategic plan consists of the acquisition of its cannabis-licensed clients who currently lease the Company's facilities, and the consolidation of these entities under the MariMed banner. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these facilities and manage the continuing growth of their operations.

A goal in completing this transition is to present a simpler, more transparent financial picture to the investor community. Once the consolidation is complete, the Company's financial statements will provide a clearer representation of the revenues, earnings, and other financial metrics that the Company is generating, rather than a fee-for-service revenue model that reports only consulting and management fees, and does not reflect the full breadth of the Company's overall business.

To date, acquisitions of the licensed businesses in Massachusetts and Illinois have been state-approved and completed, with the remaining entities located in Maryland, Nevada, and Rhode Island at various stages of completion and state approvals as further discussed below. When implemented, all of the Company's cannabis-licensed clients will be fully consolidated into the Company, establishing it as a fully integrated seed-to-sale multistate operator of licensed cannabis businesses.

Each of the remaining potential acquisitions is subject to the respective state's approval under its laws governing the ownership and transfer of cannabis licenses. The completion of the entire plan requires a modification of current cannabis license ownership laws in in Delaware and Rhode Island, and therefore there is no assurance that the Company will be successful in fully implementing its plan. However, the Company continues to develop additional revenue and business in the states in which it operates and plans to leverage its success in these markets to expand into other states where cannabis is and becomes legal.

The Company has also created its own brands of precision-dosed, cannabis-infused products designed to treat specific health conditions, alleviate medical symptoms, or achieve a certain effect. These products are developed by the Company in cooperation with state-licensed facilities and operators who meet the Company's strict standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its product formulations only to knowledgeable manufacturing professionals who agree to adhere to the Company's precise scientific formulations using its trademarked product recipes.

The Company's branded products are licensed under brand names including Kalm Fusion™, Nature's Heritage™, and Betty's Eddies™, and are distributed in the form of dissolvable strips, tablets, powders, microwaveable popcorn, fruit chews, and with more varieties in development. The Company also has exclusive sublicensing rights in certain states to distribute DabTabs™ vaporization tablets infused with cannabis concentrates, the Binske® line of cannabis products made from premium artisan ingredients, and the clinically tested medicinal cannabis strains developed in Israel by Tikun Olam™. The Company intends to continue licensing and distributing its brands as well as other top brands in the Company's current markets and in partnerships in other states markets across the country where product sale is legal.

In anticipation of the growing demand for hemp-derived cannabidiol ("CBD"), in 2018, the Company invested $30.0 million in GenCanna Global Inc. ("GenCanna"), a Kentucky-based cultivator, producer, and distributor of hemp and GMP-quality CBD oils and isolates. Concurrent with this investment, the Company acquired MediTaurus LLC ("MediTaurus"), a company operating in the United States and Europe that has developed proprietary CBD formulations under its Florance™ brand.

The transactions with GenCanna and MediTaurus, along with the Company's cannabis platform and product experience, enabled the Company to expand into the emerging global CBD market just as the U.S Farm Bill was adopted in late 2018 which descheduled industrial hemp and hemp-derived CBD as controlled substances and classified them as agricultural commodities. This new law enabled a new emerging industry of CBD oils, isolates, and infused products within the United States. In early 2019, the Company established a wholly owned subsidiary, MariMed Hemp Inc. ("MariMed Hemp") to market and distribute hemp-derived CBD products across several vertical markets.

Over the Company's short history operating in the cannabis industry, it has fostered an excellent reputation for strong management, with clients that have thrived in their respective markets. The Company's goal is to continue this success as it transitions from a manager and advisor to an owner and operator of cannabis businesses.

Significant Transactions in the Current Period

During 2019, the Company, through its MariMed Hemp subsidiary, entered into several hemp seed sale transactions with GenCanna whereby the Company acquired large quantities of top-grade feminized hemp seeds with proven genetics at volume discounts that it sold to GenCanna at market rates. The seeds met the U.S. government's definition of federally legal industrial hemp, which was descheduled as a controlled substance and classified as an agricultural commodity upon the signing of the 2018 U.S. Farm Bill.

The Company purchased $20.75 million of hemp seed inventory which it sold and delivered to GenCanna for $33.2 million. The Company provided GenCanna with extended payment terms through December 2019, to coincide with the completion of the seeds' harvest, although the payment by GenCanna was not contingent upon the success of such harvest or its yield. To partially fund the seed purchases, the Company raised $17.0 million in debt financings.

By the end of 2019, GenCanna had not paid the amount it owed the Company for its seed purchases due to several challenges it faced late in the year, including a fire at its main processing and lab facility, the domestic decline of CBD selling prices, and the contraction of the cannabis capital markets. In February 2020, GenCanna filed for voluntary reorganization under Chapter 11 with the U.S. Bankruptcy Court in the Eastern District of Kentucky. The filing is intended to permit GenCanna to operate its business while working through a reorganization plan that could include refinancing of its existing indebtedness, or an alternative restructuring transaction such as a sale.

As required by the relevant accounting guidance, the Company initially recorded the $33.2 million due from GenCanna as a related party receivable, with approximately $29.0 million recognized as related party revenue, and approximately $4.2 million classified as unearned revenue (such amount representing the Company's 33.5% ownership portion of the profit on these transactions, which was to have been recognized as revenue upon payment by GenCanna). As a result of GenCanna's Chapter 11 filing, the Company wrote off the unearned revenue balance of approximately $4.2 million and receivable balance of approximately $29.0 million. Additionally, the Company recorded a charge to net income of approximately $30.2 million, which reduced to zero the carrying value of the Company's investment in GenCanna.

GenCanna recently announced the completion of the largest recorded hemp harvest in Kentucky, which exceeded 6,000 acres. The Company's management believes that GenCanna's Chapter 11 filing and ensuing restructuring will facilitate GenCanna's ability to refinance its senior debt and arrange for the orderly payment of amounts due to its creditors, including the $33.2 million owed to the Company; however, there are no assurances that it will achieve this outcome or that the amount owed to the Company will be paid.

In addition to the foregoing adjustments, the Company recorded bad debt reserves in 2019 against receivable and working capital balances due from (i) Kind of approximately $11.2 million in the aggregate, in light of the ongoing litigation between the Company and Kind, and (ii) Harvest of approximately $2.2 million in the aggregate, due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic. These charges are further described in the footnotes accompanying the Company's audited financial statements included in this report.

The Company expects the coronavirus pandemic to likewise have a negative impact on the operations of certain entities in which the Company has invested and to whom the Company has extended loans. For that reason, the Company wrote off (i) three notes receivable balances of approximately $1.6 million in the aggregate, (ii) goodwill of approximately $2.7 million associated with the Company's acquisition of MediTaurus, and (iii) the carrying value of a $500,000 investment. These items are further described in the footnotes accompanying the Company's audited financial statements included in this report.

Revenues

The Company's revenues are currently comprised of the following primary categories:

Real Estate – The Company's state-of-the-art, regulatory-compliant cannabis facilities are leased to its cannabis-licensed clients over 20-year lease terms. The Company generates rental income from occupancy, tenant improvements, equipment rentals, and additional rental income based on the success of the cannabis licensees.

Management –The Company receives fees for providing comprehensive oversight of its clients' entire cannabis cultivation, production, and dispensary operations. Along with this oversight, the Company provides human resources, regulatory, accounting, sales, marketing, and reporting services.

Licensing – The Company derives licensing revenue from the sale of its branded precision-dosed cannabis-infused products, such as Kalm Fusion™ and Betty's Eddies™, to regulated dispensaries throughout the country.

Consulting – The Company assists third parties in securing cannabis licenses, and provides advisory services in the areas of facility design and development, and cultivation and dispensing best practices.

Supply Procurement – The Company maintains large volume discounts with top national vendors of cultivation and production supplies and equipment, which the Company acquires and resells at competitive prices to its cannabis-licensed clients or third parties.

Product Sales – The Company's direct sales of cannabis, hemp, and products derived from these plants are classified under this revenue category. In 2019, the Company commenced the direct sale of acquired hemp seed inventory. As the Company continues to explore opportunities to continue such sales, significant product sales are expected to be generated from (i) the distribution of the Company's acquired and developing hemp-derived CBD product lines, (ii) the dispensary and wholesale operations of ARL in Massachusetts and the KPGs in Illinois, and (iii) the Company's planned cannabis-licensee acquisitions in Maryland and Nevada.

Expenses

The Company classifies its expenses into three broad categories:

- cost of revenues, which includes the direct costs associated with the generation of the Company's revenues;
- operating expenses, which include the sub-categories of personnel, marketing and promotion, general and administrative, bad debts, and goodwill write-downs; and
- non-operating income and expenses, which include the sub-categories of interest expense, interest income, losses on debt settlements, losses on equity investments, changes in the fair value of non-consolidated investments, and other one-time gains or losses.

Liquidity and Capital Resources

As of December 31, 2019, the Company reported cash and cash equivalents of approximately $739,000 and negative working capital of approximately $29.3 million, compared to cash and cash equivalents of approximately $4.1 million and working capital of approximately $5.8 million as of December 31, 2018. The decline in working capital from year-to-year was primarily the result of (i) the issuance of $17.0 million of promissory notes to fund the purchase of large quantities of top-grade hemp seeds at volume discounts which then were sold to GenCanna, a related party, at market rates (the "Seed Transactions"), (ii) the write off of the receivable balance due from GenCanna of approximately $29.0 million following GenCanna's Chapter 11 filing, (iii) the recording in 2019 of a bad debt reserve against the receivable and working capital balances due from Kind of approximately $11.2 million in the aggregate in light of the current litigation between the Company and Kind, and (iv) the recording in 2019 of a bad debt reserve against the receivable and working capital balances due from Harvest of approximately $2.2 million in the aggregate due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic. Please refer to the footnote disclosures accompanying the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018, included in Part I of this report, for further discussion of the Seed Transactions and the receivable reserves.

While the bankruptcy of GenCanna, previously discussed in Part I of this report, has had a significant impact on the Company's short-term capital resources, the Company successfully completed several financing transactions subsequent to December 31, 2019 to generate liquidity and working capital. As further disclosed in Note 21 – *Subsequent Events* of the Company's audited financial statements, the Company raised approximately $4.4 million as part of an exchange agreement with two institutional stockholders, and $935,000 from the issuance of convertible debentures. Additionally, the Company has extended the maturity dates of approximately $19.4 million of promissory notes, and is in the process of finalizing the documentation to extend another $3.0 million of promissory notes.

Moreover, as of the filing date of this report, the Company has obtained a commitment from an accredited investor for a $12.0 million loan, secured by the Company's real estate, at a rate of 10% per annum with a one-year term, and an option to extend for an additional year. This transactions is expected to close upon the lender's completion of its due diligence, which is in its final stages, although there is no assurance that it will close in the foreseeable future or at all. Also as of the filing date of this report, the Company is in discussions with financial institutions to consider generating liquidity from the Company's unencumbered real property through mortgage-backed financings, the refinancing of certain outstanding mortgage loans, the sales-leaseback of certain properties, and/or a combination thereof. Based on preliminary discussions, such financings could potentially generate upwards of $17.0 million from such transactions, however the Company has not signed any commitments it has received to date and there are no assurances that it will.

In addition to the aforementioned financing transactions that have been consummated and that are in progress, the operations of the Company's recently acquired entities in Illinois and Massachusetts are expected to generate considerable liquidity and working capital for the Company. Since their acquisition, the KPGs in Illinois have generated approximately $1.0 million of pretax income for the Company, which has exceeded forecasts. The cultivation and production facility acquired in Massachusetts will soon complete its first harvest and commence full scale selling operations in this robust market.

In connection with the preparation of its financial statements for the year ended December 31, 2019, the Company's management evaluated the Company's ability to continue as a going concern in accordance with the ASU 2014-15, *Presentation of Financial Statements–Going Concern (Subtopic 205-40)*, which requires an assessment of relevant conditions or events, considered in the aggregate, that are known or reasonably knowable by management on the issuance dates of the financial statements which indicated the probable likelihood that the Company will be unable to meet its obligations as they become due within one year after the issuance date of the financial statements.

As part of its evaluation, management assessed known events, trends, commitments, and uncertainties, which at the time included the status of its consolidation plan, the GenCanna bankruptcy, the amount of capital raised by the Company during the past two calendar years, the recent level of cannabis industry investment activity, the stock price movement of public cannabis companies, the actions and/or results of certain bellwether cannabis companies, the measure of cannabis investor confidence, and the changes to state laws with respect to adult-use recreational and medical cannabis use.

The Company believes that it will close incremental debt financings in the foreseeable future, and it projects that its operating profit will organically support its day-to-day operations by the latter part of 2020. However, since there are no assurances that another financing transaction will be consummated, or that the Company will meet or exceed its projections in light of the unknown current state of the global economy, there are similarly no assurances that the Company will be able to meet all of its obligations as they become due within one year after the issuance date of the financial statements.

Operating Activities

For the year ended December 31, 2019, net cash used in operating activities approximated $24.1 million, compared to approximately $2.9 million for the same period in 2018. The rise of cash used in operations was primarily due to (i) the purchases of hemp seed inventory of approximately $20.75 million as part of the Seed Transactions, from which the Company generated zero income as the related amounts due from GenCanna were entirely written off, and (ii) cash outflows of approximately $2.0 million for the payment of interest on promissory notes and the purchase of inventory for the Company's two locations in the state of Massachusetts that commenced operations in late 2019 and early 2020.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2019 was approximately $12.5 million, compared to approximately $40.1 million for the same period in 2018. The decrease was principally caused by the Company's $30.0 million investment in GenCanna in 2018, offset by increases to loans to third-parties from $550,000 in 2018 to $2.43 million in 2019.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2019 was approximately $33.3 million, compared to approximately $45.8 million for the same period in 2018. In 2019, the Company raised approximately $19. 8 million from the issuance of promissory notes, $9.6 million from the issuance of convertible debentures, and $2.75 million from the sale of common stock.

In 2018, the Company raised approximately $31.8 million from the sale of common stock, $10.0 million from the issuance of convertible debentures, and approximately $3.2 million from the issuance of a promissory note. In addition, capital of $2.0 million was extended to the Company for building improvements on its New Bedford, MA property by the mortgagee.

These funds were used to execute on the Company's strategy to become a fully integrated multistate operator of seed-to-sale cannabis operations, to continue the development of its regulated facilities, to grow its hemp operations, to expand its branded licensing business, and for working capital purposes.

Results of Operations

Year ended December 31, 2019 compared to year ended December 31, 2018

Total revenues for the year ended December 31, 2019 increased to approximately $45.6 million from approximately $11.9 million for the same period in 2018. The year-over-year increase of approximately $33.8 million was primarily due to the Seed Transactions of approximately $29.0 million, the receipt of which has been written off as explained above. Excluding the Seed Transaction, revenues for the year ended December 31, 2019 increased to approximately $16.6 million, a 40.0% increase from approximately $11.9 million for the same period in 2018.This significant increase was primarily due to (i) cannabis sales of the KPGs in Illinois acquired by the Company in October 2019, (ii) management and additional rental fees from the Company's cannabis-licensed clients in Delaware and Maryland, such fees earned based on a percentage of the increasing revenue generated by these clients, and (iii) new distribution channels secured for the Company's Betty's Eddies™ and Kalm Fusion™ branded product lines.

Cost of revenues increased to approximately $26.9 million for the year ended December 31, 2019 from to approximately $4.0 million for the year ended December 31, 2018. The year-over-year increase of approximately $22.9 million was also due to the Seed Transactions, which comprised $20.75 million of the increase. Excluding the Seed Transactions, cost of revenues for the year ended December 31, 2019 increased to approximately $6.2 million from approximately $4.0 million for the same period in 2018. As a percentage of revenue, these costs increased from 37.1% in 2019 to 34.1% in 2018 due to the fact that the Company's cultivation and production facility in Massachusetts was in the midst of its first harvest and was ramping up its manufacturing operations at year end in order for full scale selling operations to start in 2020.

As a result of the foregoing, gross profit increased to approximately $18.7 million for the year ended December 31, 2019 from approximately $7.8 million for the same period a year ago, an increase of 139.4%. Excluding the Seed Transactions, gross profit increased to approximately $10.4 million for the year ended December 31, 2019 from approximately $7.8 million for the same period a year ago, an increase of 33.4%.

Personnel expenses increased to approximately $3.8 million for the year ended December 31, 2019 from approximately $1.4 million for the same period a year ago. . The increase was primarily due to the hiring of additional staff to support (i) higher levels of revenue and (ii) the Company's expansion into a direct owner and operator and operator of seed-to-sale cannabis and hemp operations.

Marketing and promotion costs increased to approximately $370,000 for the year ended December 31, 2019 from approximately $292,000 for the same period a year ago. As a percentage of revenues excluding the Seed Transactions, however, these costs fell slightly to 2.2% from 2.5% of revenues.

General and administrative costs decreased to approximately $8.9 million for the year ended December 31, 2019 from approximately $10.1 million for the same period a year ago. This decrease is primarily due to an approximate $3.9 million reduction of amortization expense on stock option and stand-alone warrant issuances based on fewer issuances and a lower Company stock price in 2019 compared to 2018, offset by increases in (i) rent and utilities in of a property lease in Milford, DE that commenced in 2019 and which the Company is developing into an additional cultivation and production facility for its client in that state, and (ii) professional fees.

Bad debts increased to approximately $44.5 million for the year ended December 31, 2019 from $150,000 for the same period a year ago as a result of the aforementioned write-off of the GenCanna receivable ($29.0 million) following GenCanna's Chapter 11 filing, and reserves recorded against balances due from Kind ($11.2 million) given the current litigation between the Company and Kind, and Harvest ($2.2 million) due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic.

Goodwill write-downs, were approximately $2.7 million for the year ended December 31, 2019 and approximately $1.3 million for the same period a year ago. The 2019 expense was due to the write off of intangible assets associated with the Company's acquisition of MediTaurus. The 2018 expense related to the excess consideration paid for the acquisitions of ARL and iRollie. Please refer to Note 3 – *Acquisitions* of the Company's audited financial statements where these acquisitions are described in further detail.

As a result of the above, the Company incurred an operating loss of approximately $41.6 million for the year ended December 31, 2019, compared to approximately $5.4 million for the same period in 2018. Excluding the aforementioned one-time receivable and goodwill write-downs and reserves, operating income increased to approximately $7.5 million for the year ended December 31, 2019 from approximately $1.9 million for the same period a year ago.

Net non-operating expenses increased to approximately $40.3 million for the year ended December 31, 2019 from approximately $8.0 million for the same period a year ago. The increase is primarily due to (i) the approximate $30.2 million write-down of the Company's investment in and previously realized equity in earnings of GenCanna, an equity method investment, (ii) an approximate $5.0 million increase in discounts and beneficial conversion features on Company-issued debt (recorded under *Interest Expense* on the statement of operations), and (iii) an increase in interest expense paid and accrued of approximately $3.3 million due to higher levels of debt carried in 2019, offset by (a) an approximate $4.1 million decrease in the loss associated with the settlement of debt, and (b) the net settlement proceeds received in 2019 of $2.9 million from the AgriMed matter.

As a result of the foregoing, the Company incurred a net loss of approximately $81.9 million in 2019 and approximately $13.3 million in 2018.

2020 Plans

In 2020, the Company intends (subject to state and regulatory approvals) to complete the consolidation of its cannabis- licensed clients as previously discussed in the section *Consolidation Plans* within ITEM 1. *BUSINESS* above. When completed, the Company will operate as a fully integrated seed-to-sale multistate cannabis operator.

In addition to completing the consolidation, the Company's 2020 focus will be on the following key areas:

1) Grow the operations of the Company's recently opened dispensary in Middleboro, MA and cultivation and production facility in New Bedford, MA, and develop two additional dispensaries in this state.

2) Introduce the Company's Nature Heritage™ branded flower and popular infused-product brands such as Betty's Eddies™ and Kalm Fusion™ into the robust Massachusetts medical and adult-use marketplace.

2) Expand the profitability of the dispensaries in Anna and Harrisburg in Illinois—which legalized recreational adult-use of cannabis at the start of 2020, in addition to its continuing medical use cannabis program—and develop two additional dispensaries in this state

3) Strengthen operations in Maryland and Delaware by adding over 100,000 square feet of new cannabis cultivation and processing facilities.

4) Drive licensing fees through the sale of branded products at the Company's owned and managed facilities and with strategic partners into additional markets.

5) Continue to build brands and distribution of CBD-infused products through the Company's MariMed Hemp subsidiary, and continue to work to reorganize and reset the Company's efforts with GenCanna to create value.

No assurances can be given that any of these plans will come to fruition or that if implemented will necessarily yield positive results.

The following transactions have occurred in early 2020:

GenCanna Bankruptcy Filing

In February 2020, GenCanna filed for voluntary reorganization under Chapter 11 of the Bankruptcy Code with the U.S. Bankruptcy Court in the Eastern District of Kentucky. The filing is intended to permit GenCanna to operate its business while working through a reorganization plan that could include refinancing of its existing indebtedness, or an alternative restructuring transaction such as a sale.

Consequently, as of December 31, 2019, the Company wrote off the outstanding receivable balance from GenCanna of approximately $29.0 million and the related balance of unearned revenue of approximately $4.2 million as previously discussed in Item 1. *Business.*

Additionally, the Company recorded a charge to net income of approximately $30.2 million, classified under *Loss on Equity Investments* on the statement of operations for the year ended December 31, 2019, which reduced to zero the carrying value of the Company's previous investment in GenCanna as previously discussed in Item 1. *Business.*

GenCanna recently announced the completion of the largest recorded hemp harvest in Kentucky, which exceeded 6,000 acres. The Company's management believes that GenCanna's Chapter 11 filing and ensuing restructuring will facilitate GenCanna's ability to refinance its senior debt and arrange for the orderly payment of amounts due to its creditors, including the $33.2 million owed to the Company; however, there are no assurances that it will achieve this outcome.

Exchange Agreement

In February 2020, the Company entered into an exchange agreement with two institutional stockholders (the "TIS") whereby the TIS loaned the Company an aggregate of $4,417,500. In return for the loans, and the Company (i) issued promissory notes to the TIS for the aggregate amount, bearing interest at 16.5% per annum and maturing in August 2021, with a right to extend the maturity date through February 2022 upon payment of an extension fee. and (ii) exchanged 4,903,333 shares of the Company's common stock previously acquired by the TIS, for an equal number of shares of newly designated Series B convertible preferred stock.

In connection with the exchange agreement, the Company filed (i) a certificate of designation to designate the rights and preferences of the Series B convertible preferred stock, and (ii) a certificate of elimination to return all shares of the Series A convertible preferred stock, of which no shares were issued or outstanding at the time of filing, to the status of authorized and unissued shares of undesignated preferred stock.

Issuance of Additional Debenture

In February 2020, the Company sold to the holder of the $20,000,000 convertible debentures previously issued by the Company (the "$20M Debentures") an additional convertible debenture in the principal amount of $1,000,000 bearing interest at a rate of 6.5% per annum that matures one year from issuance, with a 6.5% issuance discount, resulting in net proceeds to the Company of $935,000 (the "$1M Debenture").

The terms of the $1M Debenture are substantially consistent with the terms of the $20M Debentures. The SPA, registration rights agreement, and addendum to the SPA were all amended and restated to incorporate the $1M Debenture. As part of issuance of the $1M Debenture, the Company issued three-year warrants to the Holder to purchase 180,000 shares of common stock at an exercise prices of $0.75 per share.

Promissory Note Extensions

In February 2020, the Company and MariMed Hemp issued an $11.5 million promissory note (the $11.5M Note") which amended and restated their previously issued $10.0 million secured promissory note to an unaffiliated party. The $11.5M Note bears interest at a rate of 15% per annum and matures on June 15, 2020, with monthly interest payments and minimum amortization payments of $3.0 million in the aggregate due on or before April 30, 2020, of which the Company has already paid $2.3 million. The $11.5M Note is secured by a first priority security interest in the assets of certain of the Company's subsidiaries and brands, and a pledge of the Company's ownership interest in certain of its subsidiaries. The $11.5M Note imposes certain covenants on the borrowers effective on the date of the amendment agreement.

The Company also extended the maturity dates of another $9.4 million of promissory notes, and is in the process of finalizing the documentation to extend an additional $3.0 million of promissory notes.

Loan Commitment

In February, the Company received a commitment from an accredited investor for a $12.0 million loan, secured by the Company's real estate, at a rate of 10% per annum with a one-year term, and an option to extend for an additional year. The loan contains an origination fee of four points and a prepayment penalty of two months interest. This transactions is expected to close upon the lender's completion of its due diligence, which is in its final stages, although there is no assurance that it will close in the foreseeable future or at all.

Conversion of Debentures Payable

In January 2020, the holder of the $20M Debentures converted $1,000,000 of principal and approximately $205,000 of accrued interest into 3,555,859 shares of common stock at a conversion price of $0.34 per share.

Promissory Note Paydown

In February, the Company paid cash to retire a promissory note in the principal amount of $100,000 which matured during that month.

Equity Transactions

In the first quarter of 2020, the Company issued 3,236,857 shares of common stock associated with the subscriptions on common stock outstanding at December 31, 2019 and previously disclosed in Note 13 – *Equity*. These subscriptions were comprised of (i) 32,726 shares in connection with common stock granted in 2019; (ii) 3,004,131 shares with respect to the December 2019 conversion of a portion of the $20M Debentures, and (iii) 200,000 shares associated with exercise of stock options by the Company's CEO.

Off-Balance Sheet Arrangements

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

Inflation

In the opinion of management, inflation has not had a material effect on the Company's financial condition or results of its operations.

Seasonality

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

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)* which simplifies goodwill impairment testing by requiring that such periodic testing be performed by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The Company is currently evaluating the impact of Topic 350 on its consolidated financial statements and related disclosures, which is effective for fiscal years, including interim periods, beginning after December 15, 2019.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS.

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of MariMed, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MariMed, Inc. (the Company) as of December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, 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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring net losses from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are discussed in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

M&K CPAS, PLLC.

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

Houston, TX

March 31, 2020

MariMed Inc.
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 738,688	$ 4,104,315
Accounts receivable, net	1,669,139	5,376,966
Deferred rents receivable	1,796,825	2,096,384
Due from third parties, net	-	3,860,377
Note receivable, current portion	311,149	51,462
Inventory	1,219,429	90,460
Investments	1,449,144	-
Other current assets	192,368	128,552
Total current assets	7,376,742	15,708,516
Property and equipment, net	42,792,369	34,099,864
Intangibles	2,364,042	185,000
Investments	1,324,661	1,672,163
Note receivable, less current portion	1,639,496	1,092,376
Debentures receivable	-	30,000,000
Right-of-use assets under operating leases	5,787,423	-
Right-of-use assets under finance leases	111,103	-
Due from related parties	-	119,781
Other assets	175,905	82,924
Total assets	$ 61,571,741	$ 82,960,624
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 4,719,069	$ 3,915,430
Accrued expenses	5,395,996	1,588,368
Deferred rents payable	-	105,901
Notes payable	23,112,742	3,877,701
Mortgages payable, current portion	223,888	188,231
Operating lease liabilities, current portion	917,444	-
Finance lease liabilities, current portion	38,412	-
Due to related parties	1,454,713	276,311
Other current liabilities	858,176	-
Total current liabilities	36,720,440	9,951,942
Mortgages payable, less current portion	7,112,842	7,348,581
Debentures payable	5,835,212	3,557,440
Operating lease liabilities, less current portion	5,399,414	-
Finance lease liabilities, less current portion	75,413	-
Other liabilities	100,200	338,200
Total liabilities	55,243,521	21,196,163
Stockholders' equity:		
Series A convertible preferred stock, $0.001 par value; 50,000,000 shares authorized at December 31, 2019 and 2018; no shares issued or outstanding at December 31, 2019 and 2018	-	-
Common stock, $0.001 par value; 500,000,000 shares authorized at December 31, 2019 and 2018; 228,408,024 and 211,013,043 shares issued and outstanding at December 31, 2019 and 2018, respectively	228,408	211,013
Common stock subscribed but not issued; 3,236,857 and 97,136 shares at December 31, 2019 and 2018, respectively	1,168,074	169,123
Additional paid-in capital	112,245,730	87,180,165
Accumulated deficit	(106,760,527)	(25,575,808)
Noncontrolling interests	(553,465)	(220,032)
Total stockholders' equity	6,328,220	61,764,461
Total liabilities and stockholders' equity	$ 61,571,741	$ 82,960,624

See accompanying notes to consolidated financial statements.

MariMed Inc.
Consolidated Statements of Operations

	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenues	$ 16,575,395	$ 11,851,915
Revenues from related party	29,029,249	-
Total revenues	45,604,644	11,851,915
Cost of revenues	26,902,916	4,041,122
Gross profit	18,701,728	7,810,793
Operating expenses:		
Personnel	3,841,725	1,339,832
Marketing and promotion	369,577	292,477
General and administrative	8,886,086	10,052,731
Bad debts	44,539,820	150,000
Goodwill write-downs	2,662,669	1,331,785
Total operating expenses	60,299,877	13,166,825
Operating income	(41,598,149)	(5,356,032)
Non-operating income (expenses):		
Interest expense	(12,718,952)	(4,366,295)
Interest income	467,798	593,214
Loss on debt settlements, net	(5,180)	(4,133,481)
Loss on equity investments	(30,334,503)	(43,221)
Change in fair value of investments	(640,856)	-
Other	2,948,917	2,858)
Total non-operating expenses, net	(40,282,776)	(7,952,641)
Net income (loss)	$ (81,880,925)	(13,308,673)
Net income (loss) attributable to noncontrolling interests	$ (696,206)	295,395
Net income (loss) attributable to MariMed Inc.	$ (81,184,719)	$ (13,604,068)
Net income (loss) per share	$ (0.39)	$ (0.07)
Weighted average common shares outstanding	208,720,496	192,376,020

See accompanying notes to consolidated financial statements.

MariMed Inc.
Consolidated Statements of Stockholders' Equity

	Series A Convertible Preferred Stock Subscribed But Not Issued		Common Stock		Common Stock Subscribed But Not Issued		Additional	Accumulated	Non-Controlling	Total Stockholders'
	Shares	Amount	Shares	Par Value	Shares	Amount	Paid-In Capital	Deficit	Interests	Equity
Balances at December 31, 2017	500,000	$ 500	176,850,331	$ 176,850	1,000,000	$ 370,000	$ 22,256,060	$ (11,971,740)	$ 175,490	$ 11,007,160
Conversion of Series A preferred stock	(500,000)	(500)	970,988	971			33,573			34,044
Sales of common stock			19,188,980	19,189			31,801,812			31,821,001
Common stock issued for acquisitions			642,575	643			1,194,917			1,195,560
Common stock issued to settle obligations					18,000	74,160				74,160
Equity issued for services			3,420,526	3,421			3,671,697			3,675,118
Issuance of subscribed common shares			1,000,000	1,000	(1,000,000)	(370,000)	369,000			-
Equity conversion			222,222	222			(222)			-
Amortization of stock option grants							3,945,398			3,945,398
Amortization of stand-alone warrant issuances							1,815,219			1,815,219
Exercise of stock options			654,602	655			38,345			39,000
Exercise of warrants			2,142,710	2,143	-	-	383,252			385,395
Discount on debentures payable							1,057,833			1,057,833
Discount on promissory notes							1,709,595			1,709,595
Beneficial conversion feature on debentures payable							5,569,908			5,569,908
Conversions of debentures payable			524,360	524			1,434,982			1,435,506
Conversions of promissory notes			1,568,375	1,568			1,902,748			1,904,316
Settlement of promissory notes			3,827,374	3,827	79,136	94,963	9,996,048			10,094,838
Distributions									(690,917)	(690,917)
Net income (loss)								(13,604,068)	295,395	(13,308,673)
Balances at December 31, 2018	-	$ -	211,013,043	$ 211,013	97,136	$ 169,123	$ 87,180,165	$ (25,575,808)	$ (220,032)	$ 61,764,461
Sales of common stock			1,014,995	1,015			2,748,985			2,750,000
Common stock issued for acquisitions			2,520,000	2,520			2,468,317		837,002	3,307,839
Common stock issued for investments			500,000	500			1,589,500			1,590,000
Common stock issued to settle obligations			172,663	173			125,871			126,044
Issuance of subscribed shares			97,136	97	(97,136)	(169,123)	169,026			-
Stock grants			108,820	109	32,726	29,438	193,601			223,148
Amortization of stock option grants							1,457,684			1,457,684
Amortization of stand-alone warrant issuances							391,932			391,932
Exercise of stock options			3,061,808	3,062	200,000	22,000	422,438			447,500
Exercise of warrants			686,104	686			611,755			612,441
Discount on debentures payable							1,148,056			1,148,056
Discount on promissory notes							605,780			605,780
Beneficial conversion feature on debentures payable							4,235,469			4,235,469
Conversion of debentures payable			6,798,339	6,798	3,004,131	1,116,636	7,852,486			8,975,920
Settlement of promissory notes			2,435,116	2,435			1,044,665			1,047,100
Distributions									(474,229)	(474,229)
Net income (loss)								(81,184,719)	(696,206)	(81,880,925)
Balances at December 31, 2019	-	$ -	228,408,024	$ 228,408	3,236,857	$ 1,168,074	$ 112,245,730	$ (106,760,527)	$ (553,465)	$ 6,328,220

The above statements do not show a column for Series A convertible stock as the balances are zero and there is no activity in the periods presented. See accompanying notes to consolidated financial statements.

MariMed Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31, 2019	2018
Cash flows from operating activities:		
Net income (loss) attributable to MariMed Inc.	$ (81,184,719)	$ (13,604,068)
Net income (loss) attributable to noncontrolling interests	(696,206)	295,395
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	999,106	657,854
Amortization of intangibles	197,500	
Amortization of stock grants	223,148	-
Amortization of option grants	1,457,684	3,945,398
Amortization of stand-alone warrant issuances	391,932	1,815,219
Amortization of warrants attached to debt	2,455,964	1,171,330
Amortization of beneficial conversion feature	5,242,483	1,522,107
Amortization of original issue discount	183,867	-
Goodwill write-downs	2,662,669	1,331,785
Bad debts	44,539,820	150,000
Loss on sale of fixed assets	-	(2,858)
Equity issued to settle obligations	5,180	1,024,117
Loss on preferred stock conversions	-	34,044
Loss on debt settlements	-	3,334,366
Loss on equity investments	30,334,503	43,221
Change in fair value of investments	640,856	-
Changes in operating assets and liabilities:		
Accounts receivable	(37,701,009)	(4,073,482)
Deferred rents receivable	299,559	(1,485,595)
Due from third parties	1,355,746	(3,387,906)
Inventory	(495,394)	-
Other current assets	(63,815)	156,547
Other assets	(92,981)	163,462
Accounts payable	632,471	3,614,087
Accrued expenses	3,436,024	183,032
Deferred rents payable	(105,901)	105,901
Operating lease payments	529,434	-
Finance lease interest payments	(6,414)	-
Unearned revenue	-	-
Other current liabilities	858,176	-
Other liabilities	(238,000)	98,187
Net cash used in operating activities	(24,138,317)	(2,907,857)
Cash flows from investing activities:		
Purchase of property and equipment	(9,668,521)	(8,924,311)
Purchase of cannabis licenses	(308,815)	-
Acquisitions	(211,823)	13,494
Investment in third party companies	-	(800,000)
Investment in convertible debentures	-	(30,000,000)
Investment in notes receivable	(2,680,000)	(550,000)
Interest on notes receivable	211,989	(15,116)
Proceeds from notes receivable	-	45,553
Proceeds from sale of equipment	-	145,382
Due from related parties	119,781	15,000
Net cash used in investing activities	(12,537,389)	(40,069,998)
Cash flows from financing activities:		
Issuance of common stock	2,750,000	31,821,001
Issuance of common stock subscriptions	-	55,620
Issuance of interest in subsidiary	-	-
Issuance of promissory notes	19,760,000	3,206,338
Payments on promissory notes	-	(700,000)
Proceeds from issuance of debentures	9,600,000	10,007,094
Proceeds from mortgages	-	2,000,000
Payments on mortgages	(200,081)	(114,141)
Exercise of stock options	97,500	39,000
Exercise of warrants	612,441	385,395
Due to related parties	1,178,402	(217,451)
Finance lease principal payments	(13,954)	-
Distributions	(474,229)	(690,917)
Net cash provided by financing activities	33,310,079	45,791,939
Net change to cash and cash equivalents	(3,365,627)	2,814,084
Cash and cash equivalents at beginning of period	4,104,315	1,290,231
Cash and cash equivalents at end of period	$ 738,688	$ 4,104,315
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,294,810	$ 1,286,007
Cash paid for income taxes	$ 52,126	$ 12,584
Non-cash activities:		

Conversion of debentures receivable	$ 30,000,000	$ -
Operating lease right-of-use assets and liabilities	$ 7,251,837	$ -
Finance lease right-of-use assets and liabilities	$ 172,605	$ -
Conversions of debentures payable	$ 8,975,920	$ 1,435,506
Beneficial conversion feature on debentures payable	$ 4,235,469	$ 5,569,908
Discount on debentures payable	$ 1,148,056	$ 1,057,833
Discount on promissory notes	$ 605,780	$ 1,709,595
Common stock issued to settle debt	$ 1,047,100	$ 7,589,788
Common stock issued to settle obligations	$ 120,864	$ 18,540
Common stock issued for acquisitions	$ 2,470,840	$ 266,682
Common stock issued for investments	$ 1,590,000	$ 915,006
Harvest payment	$ 1,000	$ -
Conversion of notes receivable to investment	$ 257,687	$ -
Issuance of common stock associated with subscriptions	$ 169,123	$ 370,000
Conversion of advances to notes receivable	$ 855,913	$ -
Exercise of options via the reduction of obligation	$ 350,000	$ -
Cashless exercise of stock options	$ 1,762	$ -
Reclass of accrued interest from notes payable	$ 127,450	$ -
Reclass of accrued interest from debentures payable	$ 62,748	$ -
Conversions of promissory notes	$ -	$ 1,075,000

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

MariMed Inc. (the "Company") is a leader in the emerging cannabis industry. The Company is an expert in the development, operation, management and optimization of facilities for the cultivation, production and dispensing of medicinal and recreational cannabis and cannabis-infused products. To date, the Company has developed in excess of 300,000 square feet of state-of-the-art, regulatory-compliant facilities in five states – Delaware, Illinois, Maryland, Massachusetts, and Nevada.

At the outset of the Company's entrance into the cannabis industry, the Company provided advisory services and assistance to its clients in the procurement of state-issued cannabis licenses, leased its aforementioned cannabis facilities to these newly-licensed clients, and provided industry-leading expertise and oversight in all aspects of their cannabis operations, as well as ongoing regulatory, accounting, human resources, and administrative services. During this time, the Company successfully secured, on behalf of its clients, 13 cannabis licenses across six states – two in Delaware, three in Illinois, one in Nevada, one in Rhode Island, three in Maryland, and three in Massachusetts.

Since entering the cannabis industry, the Company has demonstrated an excellent track record developing and operating licensed cannabis facilities, implementing its proprietary operating procedures, and industry best practices. In 2018, the Company commenced a strategic plan to transition from an advisory firm that provides cannabis licensing, operational consulting and real estate services, to a direct owner of cannabis licenses and operator of seed-to-sale operations, dedicated to the improvement of health and wellness through the use of cannabinoids and cannabis products.

The Company's strategic plan consists of the acquisition of its cannabis-licensed clients who currently lease the Company's facilities, and the consolidation of these entities under the MariMed banner. The Company has played a key role in the successes of these entities, from the securing of their cannabis licenses, to the development of facilities that are models of excellence, to providing operational and corporate guidance. Accordingly, the Company believes it is well suited to own these facilities and manage the continuing growth of their operations.

A goal in completing this transition is to present a simpler, more transparent financial picture to the investor community. Once the consolidation is complete, the Company's financial statements will provide a clearer representation of the revenues, earnings, and other financial metrics that the Company is generating, rather than a fee-for-service revenue model that reports only consulting and management fees, and does not reflect the full breadth of the Company's overall business.

To date, acquisitions of the licensed businesses in Massachusetts and Illinois have been state-approved and completed, with the remaining entities located in Maryland, Nevada, and Rhode Island at various stages of completion and state approvals as further discussed below. When implemented, all of the Company's cannabis-licensed clients will be fully consolidated into the Company, establishing it as a fully integrated seed-to-sale multistate operator of licensed cannabis businesses.

Each of the remaining potential acquisitions is subject to the respective state's approval under its laws governing the ownership and transfer of cannabis licenses. The completion of the entire plan requires a modification of current cannabis license ownership laws in in Delaware and Rhode Island, and therefore there is no assurance that the Company will be successful in fully implementing its plan. However, the Company continues to develop additional revenue and business in the states in which it operates and plans to leverage its success in these markets to expand into other states where cannabis is and becomes legal.

The Company has also created its own brands of precision-dosed, cannabis-infused products designed to treat specific health conditions, alleviate medical symptoms, or achieve a certain effect. These products are developed by the Company in cooperation with state-licensed facilities and operators who meet the Company's strict standards, including all natural—not artificial or synthetic—ingredients. The Company licenses its product formulations only to knowledgeable manufacturing professionals who agree to adhere to the Company's precise scientific formulations using its trademarked product recipes.

The Company's branded products are licensed under brand names including Kalm Fusion™, Nature's Heritage™, and Betty's Eddies™, and are distributed in the form of dissolvable strips, tablets, powders, microwaveable popcorn, fruit chews, and with more varieties in development. The Company also has exclusive sublicensing rights in certain states to distribute DabTabs™ vaporization tablets infused with cannabis concentrates, the Binske® line of cannabis products made from premium artisan ingredients, and the clinically tested medicinal cannabis strains developed in Israel by Tikun Olam™. The Company intends to continue licensing and distributing its brands as well as other top brands in the Company's current markets and in partnerships in other states markets across the country where product sale is legal.

In anticipation of the growing demand for hemp-derived cannabidiol ("CBD"), in 2018, the Company invested $30.0 million in GenCanna Global Inc. ("GenCanna"), a Kentucky-based cultivator, producer, and distributor of hemp and GMP-quality CBD oils and isolates. Concurrent with this investment, the Company acquired MediTaurus LLC ("MediTaurus"), a company operating in the United States and Europe that has developed proprietary CBD formulations under its Florance™ brand.

The transactions with GenCanna and MediTaurus, along with the Company's cannabis platform and product experience, enabled the Company to expand into the emerging global CBD market just as the U.S Farm Bill was adopted in late 2018 which descheduled industrial hemp and hemp-derived CBD as controlled substances and classified them as agricultural commodities. This new law enabled a new emerging industry of CBD oils, isolates, and infused products within the United States. In early 2019, the Company established a wholly owned subsidiary, MariMed Hemp Inc. ("MariMed Hemp") to market and distribute hemp-derived CBD products across several vertical markets.

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

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

<u>*Significant Transactions in the Current Period*</u>

During 2019, the Company, through its MariMed Hemp subsidiary, entered into several hemp seed sale transactions with GenCanna whereby the Company acquired large quantities of top-grade feminized hemp seeds with proven genetics at volume discounts that it sold to GenCanna at market rates. The seeds met the U.S. government's definition of federally legal industrial hemp, which was descheduled as a controlled substance and classified as an agricultural commodity upon the signing of the 2018 U.S. Farm Bill.

The Company purchased $20.75 million of hemp seed inventory which it sold and delivered to GenCanna for $33.2 million. The Company provided GenCanna with extended payment terms through December 2019, to coincide with the completion of the seeds' harvest, although the payment by GenCanna was not contingent upon the success of such harvest or its yield. To partially fund the seed purchases, the Company raised $17.0 million in debt financings which is reflected in *Notes Payable* on the balance sheet and further discussed in Note 11 – *Debt*.

By the end of 2019, GenCanna had not paid the amount it owed the Company for its seed purchases due to several challenges it faced late in the year, including a fire at its main processing and lab facility, the domestic decline of CBD selling prices, and the contraction of the cannabis capital markets. In February 2020, GenCanna filed for voluntary reorganization under Chapter 11 with the U.S. Bankruptcy Court in the Eastern District of Kentucky. The filing is intended to permit GenCanna to operate its business while working through a reorganization plan that could include refinancing of its existing indebtedness, or an alternative restructuring transaction such as a sale.

As required by the relevant accounting guidance, the Company initially recorded the $33.2 million due from GenCanna as a related party receivable, with approximately $29.0 million recognized as related party revenue, and approximately $4.2 million classified as unearned revenue (such amount representing the Company's 33.5% ownership portion of the profit on these transactions, which was to have been recognized as revenue upon payment by GenCanna). As a result of GenCanna's Chapter 11 filing, the Company wrote off the receivable balance of approximately $29.0 million and the entire unearned revenue balance of approximately $4.2 million. Additionally, the Company recorded a charge to net income of approximately $30.2 million, which reduced to zero the carrying value of the Company's investment in GenCanna.

In addition to the foregoing adjustments, the Company recorded bad debt reserves in 2019 against the receivable and working capital balances due from (i) Kind of approximately $11.2 million in the aggregate, in light of the ongoing litigation between the Company and Kind, and (ii) Harvest of approximately $2.2 million in the aggregate, due to the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic. These charges are further described in Note 6 – *Due From Third Parties* and Note 17 – *Bad Debts.*

The Company expects the coronavirus pandemic to likewise have a negative impact on the operations of certain entities in which the Company has invested and to whom the Company has extended loans. For that reason, the Company also wrote off (i) three notes receivable balances of approximately $1.6 million in the aggregate, (ii) goodwill of approximately 2.7 million associated with the Company's acquisition of MediTaurus, and (iii) the carrying value of a $500,000 investment. These items are further described in Note 3 – *Acquisitions*, Note 4 – *Investments*, and Note 7 – *Notes Receivable*.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Going Concern

In connection with the preparation of its financial statements for the year ended December 31, 2019, the Company's management evaluated the Company's ability to continue as a going concern in accordance with the ASU 2014-15, *Presentation of Financial Statements–Going Concern (Subtopic 205-40)*, which requires an assessment of relevant conditions or events, considered in the aggregate, that are known or reasonably knowable by management on the issuance dates of the financial statements which indicated the probable likelihood that the Company will be unable to meet its obligations as they become due within one year after the issuance date of the financial statements.

As part of its evaluation, management assessed known events, trends, commitments, and uncertainties, which at the time included the status of its consolidation plan, the GenCanna bankruptcy, the amount of capital raised by the Company during the past two calendar years, the recent level of cannabis industry investment activity, the stock price movement of public cannabis companies, the actions and/or results of certain bellwether cannabis companies, the measure of cannabis investor confidence, and the changes to state laws with respect to adult-use recreational and medical cannabis use.

At December 31, 2019, the Company had negative working capital of approximately $31.0 million, and for the year then ended, incurred negative cash flow from operations of approximately $24.8 million. For further discussion on these metrics and the Company's liquidity and capital resources, please refer to Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Company's Form 10-K for the fiscal year ended December 31, 2019.

In early 2020, the Company raised approximately $4.4 million as part of an exchange agreement with two institutional stockholders, and $935,000 from the issuance of convertible debentures. Additionally, the Company has extended the maturity dates of approximately $19.4 million of promissory notes, and is in the process of finalizing the documentation to extend another $3.0 million of promissory notes. These transactions are further disclosed in Note 21 – *Subsequent Events*.

Moreover, as of the filing date of this report, the Company has obtained a commitment from an accredited investor for a $12.0 million loan, secured by the Company's real estate, at a rate of 10% per annum with a one-year term, and an option to extend for an additional year. This transactions is expected to close upon the lender's completion of its due diligence, which is in its final stages, although there is no assurance that it will close in the foreseeable future or at all. Also as of the filing date of this report, the Company is in discussions with financial institutions to consider generating liquidity from the Company's unencumbered real property through mortgage-backed financings, the refinancing of certain outstanding mortgage loans, the sales-leaseback of certain properties, and/or a combination thereof. Based on preliminary discussions, such financings could potentially generate upwards of $17.0 million from such transactions, however the Company has not signed any commitments it has received to date and there are no assurances that it will.

In addition to the aforementioned financing transactions that have been consummated and that are in progress, the operations of the Company's recently acquired entities in Illinois and Massachusetts are expected to generate considerable liquidity and working capital for the Company. The state of Illinois legalized adult-use cannabis in January 2020, which was added to the Company's two existing cannabis licenses, thereby increasing the Company's operations in this state to service both medical and recreational cannabis consumers. In Massachusetts, the cultivation and production facility acquired by the Company will soon complete its first harvest and commence full scale selling operations in this state's robust cannabis market.

The Company believes that it will close incremental debt financings in the foreseeable future, and it projects that its operating profit will organically support its day-to-day operations by the latter part of 2020. However, since there are no assurances that another financing transaction will be consummated, or that the Company will meet or exceed its projections in light of the unknown current state of the global economy, there are similarly no assurances that the Company will be able to meet all of its obligations as they become due within one year after the issuance date of these financial statements

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of MariMed Inc. and the following majority-owned subsidiaries:

Subsidiary:	Percentage Owned
MariMed Advisors Inc.	100.0%
Mia Development LLC	89.5%
Mari Holdings IL LLC	100.0%
Mari Holdings MD LLC	97.4%
Mari Holdings NV LLC	100.0%
Hartwell Realty Holdings LLC	100.0%
iRollie LLC	100.0%
ARL Healthcare Inc.	100.0%
KPG of Anna LLC	100.0%
KPG of Harrisburg LLC	100.0%
MariMed Hemp Inc.	100.0%
MediTaurus LLC	70.0%

Intercompany accounts and transactions have been eliminated.

Use of Estimates

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

Cash Equivalents

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

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

Accounts Receivable

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

The Company provides credit to its clients in the form of payment terms. The Company limits its credit risk by performing credit evaluations of its clients and maintaining a reserve, if deemed necessary, for potential credit losses. Such evaluations include the review of a client's outstanding balances with consideration towards such client's historical collection experience, as well as prevailing economic and market conditions and other factors. Based on such evaluations, the Company maintained a reserve of approximately $10.7 million and $150,000 at December 31, 2019 and 2018, respectively. The 2019 reserve primarily consisted of reserves against the accounts receivable balances of Kind of approximately $9.7 million and Harvest of approximately $239,000, as further disclosed in Note 17 – *Bad Debts*.

Inventory

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

Investments

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

Revenue Recognition

On January 1, 2018, the Company adopted the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 606, *Revenue from Contract with Customers,* as amended by subsequently issued Accounting Standards Updates. This revenue standard requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The recognition of revenue is determined by performing the following consecutive steps:

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

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

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

The adoption of this standard did not have a significant impact on the Company's consolidated operating results, and accordingly no restatement has been made to prior period reported amounts.

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

- Real Estate – rental income and additional rental fees from leasing of the Company's regulatory-compliant cannabis facilities to its clients, which are cannabis-licensed operating companies. Rental income is generally a fixed amount per month that escalates over the respective lease terms, while additional rental fees are based on a percentage of tenant revenues that exceed a specified amount.

- Management – fees for providing the Company's cannabis clients with corporate services and operational oversight of their cannabis cultivation, production, and dispensary operations. These fees are based on a percentage of such clients' revenue, and are recognized after services have been performed.

- Supply Procurement – the Company maintains volume discounts with top national vendors of cultivation and production resources, supplies, and equipment, which the Company acquires and resells to its clients or third parties within the cannabis industry. The Company recognizes this revenue after the delivery and acceptance of goods by the purchaser.

- Licensing – revenue from the sale of precision-dosed, cannabis-infused products, such as Kalm Fusion™ and Betty's Eddies™, to legal dispensaries throughout the United States. The recognition of this revenue occurs when the products are delivered.

- Consulting – fees from third-parties where the Company provides assistance in securing cannabis licenses, and advisory services in the areas of facility design and development, and cultivation and dispensing best practices. These fees are recognized as the services are performed.

- Product Sales – direct sales of cannabis, hemp, and products derived from these plants. During 2019, such revenue was generated from (i) the post-acquisition dispensary operations of both ARL in Massachusetts and the KPGs in Illinois, and (ii) the sales of hemp and CBD products by MariMed Hemp and MediTaurus. This revenue is recognized when products are delivered or at retail points-of-sale.

Research and Development Costs

Research and development costs are charged to operations as incurred.

Property and Equipment

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

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

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

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

For the years ended December 31, 2019 and 2018, based on the results of management's impairment analyses, there were no impairment losses.

Leases

The consolidated financial statements reflect the Company's adoption of ASC 842, *Leases*, as amended by subsequent accounting standards updates, utilizing the modified retrospective transition approach which calls for applying the new standard to all of the Company's leases effective January 1, 2019, which is the effective date of adoption.

ASC 842 is intended to improve financial reporting of leasing transactions. The most prominent change from previous accounting guidance is the requirement to recognize right-of-use assets and lease liabilities on the consolidated balance sheet representing the rights and obligations created by operating leases that extend more than twelve months in which the Company is the lessee. The Company elected the package of practical expedients permitted under ASC 842. Accordingly, the Company accounted for its existing operating leases that commenced before the effective date as operating leases under the new guidance without reassessing (i) whether the contracts contain a lease, (ii) the classification of the leases (iii) the accounting for indirect costs as defined in ASC 842.

The Company determines if an arrangement is a lease at inception. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Non-lease components within lease agreements are accounted for separately. Right-of-use assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term, utilizing the Company's incremental borrowing rate. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Impairment of Long-Lived Assets

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

Fair Value of Financial Instruments

The Company follows the provisions of ASC 820, *Fair Value Measurement*, to measure the fair value of its financial instruments, and ASC 825, *Financial Instruments,* for disclosures on the fair value of its financial instruments. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by ASC 820 are:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

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

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

	2019	2018
Life of instrument	1.5 to 4.0 years	0.5 to 5.0 years
Volatility factors	1.039 to 1.106	1.019 to 2.086
Risk-free interest rates	1.42% to 2.28%	1.65% to 3.07%
Dividend yield	0%	0%

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

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

Extinguishment of Liabilities

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

Stock-Based Compensation

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

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. The Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits for the years ended December 31, 2019 and 2018.

Related Party Transactions

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

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

Comprehensive Income

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

Earnings Per Share

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

As of December 31, 2019 and 2018, there were 18,051,357 and 18,916,211, respectively, of potentially dilutive securities in the form of outstanding options and warrants. Also as of such dates, there were (i) $10.0 million and $8.6 million, respectively, of outstanding convertible debentures payable, and (ii) $350,000 of outstanding convertible promissory notes in both years, that were potentially dilutive, whose conversion into common stock is based on a discount to the market value of common stock on or about the future conversion date.

For the years ended December 31, 2019 and 2018, all potentially dilutive securities had an anti-dilutive effect on earnings per share, and in accordance with ASC 260, were excluded from the diluted net income per share calculations, resulting in identical basic and fully diluted net income per share for these periods. The potentially dilutive securities may dilute earnings per share in the future.

Commitments and Contingencies

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

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

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

Beneficial Conversion Features on Convertible Debt

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

A beneficial conversion feature is a nondetachable conversion feature that is "in-the-money" at the commitment date. The in-the-money portion, also known as the intrinsic value of the option, is recorded in equity, with an offsetting discount to the carrying amount of convertible debt to which it is attached. The discount is amortized to interest expense over the life of the debt with adjustments to amortization upon full or partial conversions of the debt.

Risk and Uncertainties

The Company is subject to risks common to companies operating within the legal and medical marijuana industries, including, but not limited to, federal laws, government regulations and jurisdictional laws.

Noncontrolling Interests

Noncontrolling interests represent third-party minority ownership of the Company's consolidated subsidiaries. Net income attributable to noncontrolling interests is shown in the consolidated statements of operations; and the value of net assets owned by noncontrolling interests are presented as a component of equity within the balance sheets.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)* which simplifies goodwill impairment testing by requiring that such periodic testing be performed by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures, which is effective for fiscal years, including interim periods, beginning after December 15, 2019.

In addition to the above, 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.

NOTE 3 – ACQUISITIONS

ARL Healthcare Inc.

In October 2018, the Company's cannabis-licensed client in Massachusetts, ARL Healthcare Inc. ("ARL"), filed a plan of entity conversion with the state to convert from a non-profit entity to a for-profit corporation, with the Company as the sole shareholder of the for-profit corporation. ARL holds three cannabis licenses from the state of Massachusetts for the cultivation, production and dispensing of cannabis.

On November 30, 2018, the conversion plan was approved by the Massachusetts Secretary of State, and effective December 1, 2018, ARL was consolidated into the Company as a wholly-owned subsidiary.

The acquisition was accounted for in accordance with ASC 805,*Business Combinations.* The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed on the acquisition date:

Equipment	$	21,000
Cannabis licenses		185,000
Accounts payable		(120,689)
Due to related parties		(92,765)
Total identifiable net assets		(7,454)
Goodwill		731,902
Total fair value of consideration	$	724,448

The total consideration paid by the Company was equal to the forgiveness of amounts owed to the Company by ARL. Accordingly, the transaction gave rise to goodwill of approximately $732,000, which the Company wrote off in 2018. The balance of acquired cannabis licenses was included in *Intangibles* within the asset section of the Company's balance sheet at December 31, 2018. This intangible asset was fully amortized by December 2019.

In 2019, the Company paid for the annual renewal ARL's cannabis license. At December 31, 2019, the carrying value less amortization was approximately $138,000.

KPG of Anna LLC and KPG of Harrisburg LLC

In October 2018, the Company entered into a purchase agreement to acquire 100% of the ownership interests of KPG of Anna LLC and KPG of Harrisburg LLC, the Company's two cannabis-licensed clients that operate medical marijuana dispensaries in the state of Illinois (both entities collectively, the "KPGs"), from the current ownership group of the KPGs (the "Sellers"). As part of this transaction, the Company also acquired the Sellers' ownership interests of Mari Holdings IL LLC, the Company's subsidiary which owns the real estate in which the KPGs' dispensaries are located ("Mari-IL").

In October 2019, the transaction was approved by the Illinois Department of Financial & Professional Regulation, and 1,000,000 shares of the Company's common stock, representing the entire purchase price, were issued to the Sellers. Effective October 1, 2019, the KPGs and Mari-IL became wholly-owned subsidiaries of the Company with 100% of the operations of these entities consolidated into the Company's financial statements as of that date. The KPGs contributed revenues of approximately $1.3 million and pretax income of approximately $79,000 since the date of acquisition.

The acquisition was accounted for in accordance with ASC 805. The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed on the acquisition date:

Cash and cash equivalents	$	443,980
Inventory		113,825
Intangibles		2,067,727
Minority interests		138,356
Accounts payable		(642,033)
Accrued expenses		(186,005)
Due to third parties		(1,020,850)
Total fair value of consideration	$	915,000

Consolidated unaudited pro forma results of operations for the Company are presented below assuming this 2019 acquisition had occurred at January 1, 2018, the beginning of the reporting period of these financial statements.

	Year Ended December 31,			
		2019		2018
Total revenues	$	48,444,052	$	14,417,923
Net income (loss)	$	(81,705,403)	$	(13,514,832)
Net income (loss) per share	$	(0.39)	$	(0.07)

Pro forma financial information is not necessarily indicative of the Company's actual results if the transaction had been completed during the periods reflected above, nor is it necessarily an indication of future operating results. Amounts do not include any operating efficiencies or costs savings that the Company would have been able to achieve.

The Harvest Foundation LLC

In November 2018, the Company issued a letter of intent to acquire 100% of the ownership interests of The Harvest Foundation LLC ("Harvest"), the Company's cannabis-licensed client in the state of Nevada. In August 2019, the parties entered into a purchase agreement governing the transaction. The acquisition is conditioned upon legislative approval of the transaction, which is expected to occur by the end of 2020. Upon consummation, the operations of Harvest will be consolidated into the Company's financial statements.

The purchase price is comprised of the issuance of (i) 1,000,000 shares of the Company's common stock, in the aggregate, to two owners of Harvest, which as a good faith deposit, were issued upon execution of the purchase agreement, (ii) $1.2 million of the Company's common stock at closing, based on the closing price of the common stock on the day prior to legislative approval of the transaction, and (iii) warrants to purchase 400,000 shares of the Company's common stock at an exercise price equal to the closing price of the Company's common stock on the day prior to legislative approval of the transaction. These shares are restricted and will be returned to the Company in the event the transaction does not close by a date certain. As the transaction has not been consummated, the issued shares were recorded at par value within the *Stockholders' Equity* section of the balance sheet at December 31, 2019.

Kind Therapeutics USA Inc.

In December 2018, the Company entered into a memorandum of understanding ("MOU") to acquire Kind Therapeutics USA Inc. ("Kind"), its client in Maryland that holds licenses for the cultivation, production, and dispensing of medical cannabis. The MOU provides for a total purchase price of $6.3 million in cash, 2,500,000 shares of the Company's common stock, and other consideration. The acquisition is subject to the approval by the Maryland Medical Cannabis Commission, which approval is not expected prior to October 2020.

Also in December 2018, MariMed Advisors Inc, the Company's wholly owned subsidiary, and Kind entered into a management agreement pursuant to which the Company provides comprehensive management services in connection with the business and operations of Kind, and Mari Holdings MD LLC, the Company's majority-owned subsidiary, entered into a 20-year lease with Kind for its utilization of the Company's 180,000 square foot cultivation and production facility in Hagerstown, MD. Additionally, in October 2019, Mari Holdings MD LLC purchased a 9,000 square foot building in Anne Arundel County, MD for the development of a dispensary which would be leased to Kind.

Recently, the sellers of Kind have attempted to renegotiate the terms of the MOU. Even though the MOU contains all the definitive material terms with respect to the acquisition transaction and confirms the management and lease agreements, the selling parties now allege that the MOU is not an enforceable agreement. The Company engaged with the sellers in good faith in an attempt to reach updated terms acceptable to both parties, however the sellers failed to reciprocate in good faith, resulting in an impasse, resulting in both parties commencing legal proceedings. For further information, see Part II, Item 1. *Legal Proceedings* in this report.

MediTaurus LLC

In May 2019, the Company entered into a purchase agreement to acquire MediTaurus LLC ("MediTaurus"), a company formed and owned by Jokubas Ziburkas PhD, a neuroscientist and leading authority on CBD and its interactions with the brain and endocannabinoid system. MediTaurus currently operates in the United States and Europe and has developed proprietary CBD formulations sold under its Florance™ brand.

Pursuant to the purchase agreement, the Company acquired 70% of MediTaurus on June 1, 2019, and will acquire the remaining 30% of MediTaurus on June 1, 2020. The purchase price for the initial 70% was $2.8 million, comprised of cash payments totaling $720,000 and 520,000 shares of the Company's common stock valued at $2,080,000. The purchase price of the remaining 30%, payable in cash or stock at the Company's option, shall be equal to a defined percentage of the Company's receipts from the licensing of certain MediTaurus technology and products that existed on June 1, 2019 (all such technology and products, the "MT Property"). For a period of ten years following June 1, 2020, certain former members of MediTaurus shall be paid a royalty on the Company's receipts from the licensing of MT Property, with the royalty percentage commencing at 10% and decreasing to 2% over time.

The acquisition was accounted for in accordance with ASC 10. The following table summarizes the allocation, adjusted in September 2019, of the purchase price to the fair value of the assets acquired and liabilities assumed on the acquisition date:

Cash and cash equivalents	$	64,196
Accounts receivable		5,362
Inventory		519,750
Goodwill		2,662,669
Accounts payable		(777)
Total value of MediTaurus		3,251,200
Noncontrolling interests in MediTaurus		(975,360)
Total fair value of consideration	$	2,275,840

Based on a valuation of MediTaurus in late 2019, the goodwill on the transaction was adjusted to approximately $2.7 million, which was written off in expectation of the impact of the coronavirus pandemic on MediTaurus' business.

As part of the transaction, the Company hired Dr. Ziburkas as the Company's Chief Innovation Officer, as well as other members of the MediTaurus executive team.

iRollie LLC

Effective April 2018, the Company entered into a purchase agreement whereby 264,317 shares of the Company's common stock were exchanged for 100% of the ownership interests of iRollie LLC ("iRollie"), a manufacturer of branded cannabis products and accessories for consumers, and custom product and packaging for companies in the cannabis industry. The Company acquired, among other assets, iRollie's entire product line, service offerings, client list, and intellectual property, and hired its two co-founders.

The acquisition was accounted for in accordance with ASC 10. The shares of Company common stock, valued at approximately $280,000, were issued to iRollie's former owners in December 2018, at which time the Company adjusted the total goodwill generated by the transaction. The following table summarizes the allocation of the purchase price to the fair value of the assets acquired:

Cash and cash equivalents	$	13,494
Goodwill		266,682
Total fair value of consideration	$	280,176

Prior to the acquisition, iRollie had not been generating positive cash flow as a stand-alone entity, and in conformity with relevant accounting guidance, the goodwill was written off.

AgriMed Industries of PA LLC

In July 2018, the Company entered into a purchase agreement to acquire 100% of the ownership interests of AgriMed Industries of PA LLC ("AgriMed"), an entity that holds a license from the state of Pennsylvania for the cultivation of cannabis. The purchase price was comprised of $8 million, payable in stock and cash, and the assumption of certain liabilities of AgriMed. In February 2019, the Company commenced legal proceedings against AgriMed seeking specific performance of the purchase agreement.

In May 2019, the dispute between the parties was resolved through the cash payment to the Company of $3.1 million and other good and valuable consideration, in exchange for the Company relinquishing its rights under the purchase agreement and releasing its claims against AgriMed. The net amount of approximately $2,949,000, representing the cash payment less legal fees and write-offs of assets and supplies, was recorded in *Other Non-Operating Income* in the Company's consolidated statement of operations for the year ended December 31, 2019.

NOTE 4 – INVESTMENTS

At December 31, 2019 and 2018, the Company's investments were comprised of the following:

	2019	2018
Current investments:		
Terrace Inc.	$ 1,449,144	$ -
Total current investments	$ 1,449,144	$ -
Non-current investments:		
GenCanna Global Inc.	-	-
CVP Worldwide LLC	1,066,975	1,172,163
Iconic Ventures Inc.	-	500,000
Chooze Corp.	257,686	-
Total non-current investments	1,324,661	1,672,163
Total investments	$ 2,773,805	$ 1,672,163

Terrace Inc.

In May 2019, the Company issued 500,000 shares of its common stock, valued at $1.59 million on the date of issuance, to purchase an 8.95% interest in Terrace Inc. ("Terrace"), a Canadian entity that develops and acquires international cannabis assets. The Company has no board representation, nor does it have the ability to exert operational or financial control over the entity.

In November 2019, the common stock of Terrace commenced public trading on the Toronto Stock Venture Exchange. In accordance with ASC 321, *Investments – Equity Securities*, this investment is carried at fair value, with changes to fair value recognized in net income. Prior to Terrace becoming publicly traded, the Company had elected the measurement alternative to value this equity investment without a readily determinable fair value.

At December 31, 2019, the carrying amount of this investment declined to approximately $1.45 million, based on its fair value on such date, and the Company recorded a charge to net income of approximately $141,000.

GenCanna Global Inc.

During 2018, in a series of transactions, the Company purchased $30 million of subordinated secured convertible debentures (the "GC Debentures") of GenCanna. In February 2019, the Company converted the GC Debentures, plus unpaid accrued interest of approximately $229,000 through the conversion date, into common stock of GenCanna equal to a 33.5% ownership interest in GenCanna on a fully diluted basis. Concurrent with the conversion, Company's CEO was appointed to GenCanna's board and the Company was granted certain rights, including the rights of inspection, financial information, and participation in future security offerings of GenCanna.

Since the conversion date, this investment had been accounted for under the equity method. However, as previously discussed in Note 1 – *Organization and Description of Business*, GenCanna filed for voluntary reorganization under Chapter 11 in February 2020 with the U.S. Bankruptcy Court in the Eastern District of Kentucky. As a result, the Company recorded a charge to net income of approximately $30.23 million, classified under *Loss on Equity Investments* on the statement of operations for the year ended December 31, 2019, which reduced the carrying value of this investment to zero.

CVP Worldwide LLC

In August 2018, the Company invested $300,000, of a total contracted cash investment of $500,000, and issued 378,259 shares of its common stock, valued at approximately $915,000, in exchange for a 23% ownership in CVP Worldwide LLC ("CVP"). CVP has developed a customer relationship management and marketing platform, branded under the name Sprout, which is specifically designed for companies in the cannabis industry.

The Company shall assist in the ongoing development and design of Sprout, and in marketing Sprout to companies within the cannabis industry. The Company shall earn a percentage share of Sprout's revenues generated from sales (i) to the Company's clients, and (ii) by the Company to third parties. As of December 31, 2019, no revenue was earned by the Company.

The investment is accounted under the equity method. In 2018, the Company recorded a charge to net income of approximately $43,000 based on its equity in CVP's net loss during the period of the Company's ownership. Such amount reduced the carrying value of the investment to approximately $1,172,000 at December 31, 2018. In 2019, the Company recorded a charge of approximately $105,000 representing the Company's equity in CVP's net loss during year, further reducing the carrying value of the investment to approximately $1,067,000 at December 31, 2019.

Iconic Ventures Inc.

In December 2018, the Company purchased 2,500,000 shares of common stock of Iconic Ventures Inc. ("Iconic") for an aggregate cash payment of $500,000. Iconic has developed DabTabs™, a unique solution for cannabinoid vaporization via a convenient portable tablet that provides precisely measured dosing and acts as a storage system for full spectrum extracts, concentrates and distillates.

The Company's investment equates to a current ownership interest in Iconic of approximately 10%. The Company has no board representation, nor does it have the ability to exert operational or financial control over the entity. In accordance with ASC 321, the Company elected the measurement alternative to value this equity investment without a readily determinable fair value. Under this alternative measurement election, the investment is recorded at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment in Iconic.

In 2019, the Company wrote off the investment after an impairment review that considered the viability of the entity in light of the current economic climateAccordingly, this investment was carried at zero and $500,000 on December 31, 2019 and 2018, respectively.

Chooze Corp.

In January 2019, the entire principal and accrued interest balance of a note receivable from Chooze Corp. of approximately $258,000 was converted into a 2.7% equity interest in Chooze. In accordance with ASC 321, the Company elected the measurement alternative to value this equity investment without a readily determinable fair value. Following the Company's purchase, there has been no impairment to this investment, nor any observable price changes to investments in the entity. Accordingly, this investment was carried at approximately $258,000 at December 31, 2019.

The Company will continue to apply the alternative measurement guidance until this investment does not qualify to be so measured. The Company may subsequently elect to measure this investment at fair value, and if so, shall measure all identical or similar investments in Chooze at fair value. Any subsequent changes in fair value shall be recognized in net income.

Binske®

In July 2019, the Company entered into a licensing agreement for the exclusive manufacturing and distribution in seven eastern U.S. states of the Binske® portfolio of products, a brand known for utilizing best-in-class proprietary strains and craft ingredients in its edibles, concentrates, vaporizers, and topicals. In consideration for the license and other rights, the Company agreed to pay a royalty of 10.0% to 12.5% of gross revenue, as defined, derived from the sale of Binske® products, subject to an annual minimum royalty. No gross revenue was generated as of December 31, 2019.

Vitiprints

In August 2019, the Company terminated the license agreement it had entered into in August 2018 for the use of a patented technology to produce and distribute cannabis products with precise dosing and at increased economies ("Vitiprints"). The licensing agreement had an initial term of five years, and required the Company to make a non-refundable payment of $250,000 which the Company charged to *Cost of Revenues* in August 2018.

NOTE 5 – DEFERRED RENTS RECEIVABLE

The Company is the lessor under several operating leases which contain rent holidays, escalating rents over time, options to renew, requirements to pay property taxes, insurance and/or maintenance costs, and contingent rental payments based on a percentage of monthly tenant revenues. The Company is not the lessor under any finance leases.

The Company recognizes fixed rental receipts from such lease agreements on a straight-line basis over the expected lease term. Differences between amounts received and amounts recognized are recorded under *Deferred Rents Receivable* on the balance sheet. Contingent rentals are recognized only after tenants' revenues are finalized and if such revenues exceed certain minimum levels.

The Company leases the following owned properties:

- Delaware – a 45,000 square foot facility purchased in September 2016 and developed into a cannabis cultivation, processing, and dispensary facility which is leased to a cannabis-licensed client occupying 100% of the space under a triple net lease that commenced in 2017 and expires in 2035.

- Maryland – a 180,000 square foot former manufacturing facility purchased in January 2017 and developed by the Company into a cultivation and processing facility which is leased to a licensed cannabis client under a triple net lease that commenced 2018 and expires in 2037.

- Massachusetts – a 138,000 square foot industrial property of which approximately half of the available square footage is leased to a non-cannabis manufacturing company under a lease that commenced in 2017 and expires in 2022.

- Illinois – two 3,400 square foot free-standing retail dispensaries in the cities of Anna and Harrisburg and leased to the KPGs, each under a 20-year lease that commenced in 2018. With the acquisition of the KPGs as disclosed in Note 3 – *Acquisitions*, this lease was eliminated upon the consolidation of the KPGs in October 2019. Accordingly, the rental receipts on such leases have been removed from the table of future minimum rental receipts below.

The Company subleases the following property:

- Delaware – 4,000 square feet of retail space in a multi-use building space which the Company developed into a cannabis dispensary which is subleased to its cannabis-licensed client under a under a triple net lease expiring in 2021 with a five-year option to extend.

As of December 31, 2019 and 2018, cumulative fixed rental receipts under such leases approximated $9.5 million and $5.4 million, respectively, compared to revenue recognized on a straight-line basis of approximately $11.3 million and $7.5 million. Accordingly, the deferred rents receivable balances at December 31, 2019 and 2018 approximated $1.8 million and $2.1 million, respectively.

Future minimum rental receipts for non-cancelable leases and subleases as of December 31, 2019 were:

2020	$	3,896,550
2021		4,036,550
2022		3,959,709
2023		3,661,821
2024		3,717,080
Thereafter		40,404,470
Total	$	59,676,179

NOTE 6 – DUE FROM THIRD PARTIES

At December 31, 2019 and 2018, the following table reflects amounts that were advanced by the Company to its cannabis-licensed clients primarily for working capital purposes, and the carrying amount of such advances after write-offs:

	2019		2018	
Kind Therapeutics USA Inc. (Maryland licensee)	$	1,475,675	$	2,679,496
Harvest Foundation LLC (Nevada licensee)		1,938,787		248,796
KPG of Anna LLC (Illinois licensee acquired Oct. 2019)		-		482,700
KPG of Harrisburg LLC (Illinois licensee acquired Oct. 2019)		-		449,385
Total working capital advances to third parties		3,414,462		3,860,377
Reserves against working capital advances		(3,414,462)		-
Due from third parties, net	$	-	$	3,860,377

When a client is able to organically fund its ongoing operations, such client will issue a promissory note to the Company for the cumulative advances made up to that point, which will then be paid down monthly over a specified period of time. The Company has successfully employed this strategy in the past, and accordingly, in January 2019, KPG of Anna LLC and KPG of Harrisburg LLC issued promissory notes to the Company as further described in Note 7 – *Notes Receivable*.

In December 2019, the Company recorded bad debt reserves against the working capital advance balances due from (i) Kind of approximately $1.5 million in light of the ongoing litigation between the Company and Kind, and (ii) Harvest of approximately $1.9 million because of the anticipated effect on Harvest's operations from a weakened local economy due to the coronavirus pandemic.

NOTE 7 – NOTES RECEIVABLE

At December 31, 2019 and 2018, notes receivable were comprised of the following:

	2019	2018
First State Compassion Center	$ 527,261	$ 578,722
Healer LLC	846,985	307,429
Atalo Holdings Inc.	-	-
Maryland Health & Wellness Center Inc.	323,526	-
High Fidelity Inc.	252,873	-
Chooze Corp.	-	257,687
Total notes receivable	1,950,645	1,143,838
Notes receivable, current portion	311,149	51,462
Notes receivable, less current portion	$ 1,639,496	$ 1,092,376

The Company loaned approximately $700,000 to First State Compassion Center, its Delaware cannabis-licensee client, during the period from October 2015 to April 2016. In May 2016, this client issued a 10-year promissory note, as subsequently amended, to the Company bearing interest at a rate of 12.5% per annum. The monthly payments of approximately $10,100 will continue through April 2026, at which time the note will become due. At December 31, 2019 and 2018, the current portion of this note was approximately $58,000 and $51,000, respectively, and is included in *Notes Receivable, Current Portion* on the respective balance sheets.

In 2018, the Company loaned an aggregate of $300,000 to Healer LLC ("Healer"), an entity that provides cannabis education, dosage programs, and products developed by Dr. Dustin Sulak, an integrative medicine physician and nationally renowned cannabis practitioner. In 2019, the Company loaned Healer an additional aggregate amount of $500,000. The loans bear interest at 6% per annum, with principal and interest payable on the maturity dates which are three years from the respective loan dates.

In 2019, the Company extended loans aggregating $980,000 to Atalo Holdings Inc. ("Atalo"), an agriculture and biotechnology firm specializing in research, development, and production of industrial hemp and hemp-based CBD products. The loans bear interest at 6% per annum, with principal and interest payable on the earlier of April 3, 2020 or the date on which the Company acquires at least 25% of Atalo's outstanding capital stock, in which case the principal and interest due shall be credited toward Company's purchase price for such capital stock. In December 2019, the Company wrote off the entire carrying value of the Atalo note receivable balance based on the expectation that the operations of Atalo would be negatively impacted by the coronavirus pandemic.

In January 2019, the Company entered into an agreement with Maryland Health & Wellness Center Inc. ("MHWC"), an entity that has been pre-approved by the state of Maryland for a cannabis dispensing license, to provide MHWC with a $300,000 construction loan in connection with the buildout of MHWC's proposed dispensary. The Company also entered into a consulting services agreement to provide MHWC with advisory and oversight services over a three-year period relating to the development, administration, operation, and management of MHWC's proposed dispensary in Maryland. The construction loan bears interest at 8% per annum, with principal and interest payable in May 2022, the two-year anniversary of final state approval of MHWC's dispensing license, provided however, that the Company shall have the right, that extends through such two-year anniversary and which is subject to state approval, to convert the promissory note underlying the construction loan into a 20% ownership interest of MHWC. This conversion right of the Company shall terminate if the consulting services agreement is terminated.

In August 2019, the Company loaned $250,000 to High Fidelity Inc., a company that owns and operates two seed-to sale medical marijuana facilities in the state of Vermont and produces its own line of CBD products. The loan bears interest at a rate of 10% per annum, with interest-only monthly payments through its extended maturity in August 2020.

During the period from May to October 2018, the Company loaned $250,000 to Chooze Corp. bearing interest at 8% per annum and maturing in 2021. In January 2019, the entire principal and accrued interest balance of approximately $258,000 was converted into a 2.7% ownership interest in Chooze, as previously discussed in Note 4 – *Investments*.

In January 2019, KPG of Anna LLC and KPG of Harrisburg LLC each issued a promissory note to the Company in the approximate amount of $451,000 and $405,000, respectively, representing the advances made by the Company to these entities through December 31, 2018. The notes bore interest at 12% per annum, with monthly principal and interest payments due through December 2038. With the acquisition of the KPGs as disclosed in Note 3 – *Acquisitions*, these notes were eliminated upon the consolidation of the KPGs in October 2019.

NOTE 8 – INVENTORY

In 2019, the Company purchased $21.6 million of hemp seeds for its wholesale hemp distribution business and to develop hemp-derived CBD products. The seeds meet the U.S. government's definition of federally legal industrial hemp, which was descheduled as a controlled substance and classified as an agricultural commodity upon the signing of the 2018 U.S. Farm Bill. As previously disclosed in Note 1 – *Organization and Description of Business*, the Company sold a majority of these seeds to GenCanna, generating a related party receivable of $33.2 million which was written off as of December 31, 2019.

At December 31, 2019, inventory was comprised of approximately $226,000 of CBD isolate and hemp extract; approximately $476,000 of work-in-process; and approximately $518,000 of finished cannabis and CBD products. At December 31, 2018, inventory was comprised of product packaging and other collateral.

NOTE 9 – DEBENTURES RECEIVABLE

As detailed in Note 4 – *Investments*, the Company converted the GC Debentures into a 33.5% ownership interest in GenCanna in February 2019. Prior to conversion, the GC Debentures bore interest at a rate of 9% per annum and had an original maturity date of three years from issuance. For the year ended December 31, 2018, the Company earned and received interest income of approximately $502,000 on the GC Debentures.

NOTE 10 – PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	$ 3,887,710	$ 3,392,710
Buildings and building improvements	27,063,235	13,566,144
Tenant improvements	7,762,991	5,348,882
Furniture and fixtures	299,645	114,160
Machinery and equipment	4,086,691	1,632,351
Construction in progress	2,827,940	12,205,447
	45,928,212	36,259,694
Less: accumulated depreciation	(3,135,843)	(2,159,830)
Property and equipment, net	$ 42,792,369	$ 34,099,864

During the years ended December 31, 2019 and 2018, additions to property and equipment were approximately $9.7 million and $8.9 million, respectively.

The 2018 additions were primarily comprised of (i) the buildout of properties in Hagerstown, MD, New Bedford, MA, and Middleborough, MA, and (ii) improvements to the Wilmington, DE facility.

The 2019 additions consisted primarily of (i) the commencement of construction in Milford, DE and Annapolis, MD, (ii) the continued buildout of properties in Hagerstown, MD, New Bedford, MA, and Middleborough, MA, and (ii) improvements to the Wilmington, DE and Las Vegas, NV properties.

The 2018 construction in progress balance of approximately $12.2 million was primarily comprised of (i) New Bedford, MA building, improvements and machinery of approximately $9.8 million and (ii) Middleborough, MA building, improvements and fixtures of approximately $2.4 million. All of this construction in progress was placed into service in 2019.

The 2019 construction in progress balance of approximately $2.8 million consisted of the commencement of construction of properties in Milford, DE and Annapolis, MD.

Depreciation expense for the year ended December 31, 2019 and 2018 was approximately $999,000 and $658,000, respectively.

NOTE 11 – DEBT

Mortgages Payable

At December 31, 2019 and 2018, mortgage balances, including accrued but unpaid interest, were comprised of the following:

	2019	2018
Bank of New England – Massachusetts property	$ 4,825,226	$ 4,895,000
Bank of New England – Delaware property	1,682,275	1,791,736
DuQuoin State Bank – Illinois properties	829,229	850,076
Total mortgages payable	7,336,730	7,536,812
Mortgages payable, current portion	(223,889)	(188,231)
Mortgages payable, less current portion	$ 7,112,842	$ 7,348,581

In November 2017, the Company entered into a 10-year mortgage agreement with Bank of New England for the purchase of a 138,000 square foot industrial property in New Bedford, Massachusetts, within which the Company has built a 70,000 square foot cannabis cultivation and processing facility. This mortgage was personally guaranteed by the Company's CEO and CFO. From the mortgage date through May 2019, the Company was required to make monthly payments of interest-only at a rate equal to the prime rate plus 2%, with a floor of 6.25% per annum. From May 2019 to May 2024, the Company is required to make principal and interest payments at a rate equal to the prime rate on May 2, 2019 plus 2%, with a floor of 6.25% per annum. Principal and interest payments shall continue from May 2024 through the end of the lease at a rate equal to the prime rate on May 2, 2024 plus 2%, with a floor of 6.25% per annum. The outstanding principal balance on this mortgage was approximately $4,825,000 and $4,895,000 on December 31, 2019 and 2018, respectively, of which approximately $94,000 and $63,000, respectively, was current.

The Company maintains a second mortgage with Bank of New England, also personally guaranteed by the Company's CEO and CFO, for the 2016 purchase of a 45,070 square foot building in Wilmington, Delaware which was developed into a cannabis seed-to-sale facility and is currently leased to the Company's cannabis-licensed client in that state. The mortgage matures in 2031 with monthly principal and interest payments at a rate of 5.25% per annum through September 2021, and thereafter the rate adjusting every five years to the then prime rate plus 1.5% with a floor of 5.25% per annum. At December 31, 2019 and 2018, the outstanding principal balance on this mortgage was approximately $1,682,000 and $1,792,000, respectively, of which approximately $105,000 and $102,000, respectively, was current.

In May 2016, the Company entered into a mortgage agreement with DuQuoin State Bank ("DSB") for the purchase of two properties which the Company developed into two 3,400 square foot free-standing retail dispensaries in Illinois. On May 5th of each year, this mortgage is due to be repaid unless it is renewed for another year at a rate determined at the discretion of DSB's executive committee. The mortgage was renewed in May 2019 at a rate of 8.5% per annum. At December 31, 2019 and 2018, the outstanding principal balance on this mortgage was approximately $829,000 and $850,000, respectively, of which approximately $24,000 and $23,000, respectively, was current.

Notes Payable

In June 2019, the Company and MariMed Hemp, its wholly-owned subsidiary, issued a secured promissory note in the principal amount of $10 million to an unaffiliated party (the "$10M Note"). The proceeds from the $10M Note were used to finance a portion of the purchases of hemp seed inventory previously discussed in Note 1 – *Organization and Description of Business*. The $10M Note provided for the repayment of principal plus a payment of $1.5 million on January 31, 2020. At December 31, 2019, the pro-rata portion of such payment, based on the term of the $10M Note, approximated $1,307,000 and was charged to interest expense. The $10M Note imposes certain covenants on the borrowers, all of which were complied with as of December 31, 2019.

In February 2020, the Company entered into an amendment agreement with the holder of the $10M Note, whereby the Company and MariMed Hemp issued an amended and restated promissory note in the principal amount of $11,500,000 (the "$11.5M Note"), bearing interest at a rate of 15% per annum, due on June 15, 2020, and with monthly interest payments and minimum amortization payments of $3,000,000 in the aggregate due on or before April 30, 2020, of which the Company has already paid $2,300,000. The $11.5M Note is secured by a first priority security interest in the assets of certain of the Company's subsidiaries and brands, and a pledge of the Company's ownership interest in certain of its subsidiaries. The $11.5M Note imposes certain covenants on the borrowers effective on the date of the amendment agreement.

As part of the $10M Note transaction, the Company issued three-year warrants to purchase 375,000 shares of common stock at an exercise price of $4.50 per share to the holder of the $10M Note. The fair value of these warrants on the issuance date of approximately $601,000 was recorded as a discount to the $10M Note. Approximately $523,000 of the warrant discount was amortized to interest expense in 2019. Accordingly, the carrying value of the $10M Note approximated $9.92 million at December 31, 2019.

In April 2019, MariMed Hemp issued a secured promissory note in the principal amount of $1,000,000 to an unaffiliated party. The proceeds of the note were used to finance a portion of the purchases of hemp seed inventory previously discussed in Note 1 – *Organization and Description of Business*. The note is secured by the collateral assignment of certain receivables from GenCanna (the "Secured Receivables") and certain obligations of GenCanna to MariMed Hemp. The principal balance plus a payment of $180,000, initially due on December 31, 2019, was extended to March 31, 2020 in accordance with the terms of the note, requiring an additional payment of $30,000 payable on the extended due date. MariMed Hemp can elect to repay the note in whole or in part without penalty, provided the noteholder is given proper notice and MariMed Hemp is not in default of the note agreement. Upon such election, the entire payment of $180,000 and additional payment of $30,000 shall be deemed earned by and due to the noteholder.

In March 2019, the Company raised $6 million through the issuance of a secured promissory note to an unaffiliated party bearing interest at a rate of 13% per annum and a service fee of $900,000 (the "$6M Note"). The proceeds of the note were used to finance a portion of the purchases of hemp seed inventory previously discussed in Note 1 – *Organization and Description of Business*. The note is secured by the collateral assignment of certain receivables from and obligations of GenCanna to MariMed Hemp. The note's initial maturity date of December 31, 2019 was extended to April 30, 2020 in accordance with the terms of the note, with the Company paying an extension fee in December 2019 of $300,000 which was charged to interest expense. At December 31, 2019, accrued interest payable on the note approximated $635,000.

In September 2018, the Company raised $3 million from the issuance of a secured promissory note to the same unaffiliated party of the $6M Note, bearing interest at a rate of 10% per annum, with interest payable monthly through an initial maturity date of March 31, 2020 (the "$3M Note"). The Company may elect to prepay the $3M Note in whole or part at any time after December 17, 2018 without premium or penalty provided the noteholder is given proper notice and the Company is not in default of the note agreement. The $3M Note was extended for an additional six months in accordance with its terms, with the interest rate increasing to 12% per annum during the extension period. The $3M Note is secured by the Company's property in Maryland.

As part of $3M Note transaction, the Company issued three-year warrants to the lender's designees to purchase 750,000 shares of the Company's common stock at an exercise price of $1.80 per share. The Company recorded a discount on the $3M Note of approximately $1,511,000 from the allocation of note proceeds to the warrants based on the fair value of such warrants on the issuance date. Approximately $882,000 of the warrant discount was amortized to interest expense during 2018, and the remaining $629,000 was amortized during 2019. At December 31, 2019 and 2018, the carrying value of the $3M Note was $3 million and approximately $2.37 million (principal less the remaining warrant discount of $629,000), respectively.

In addition to the above transactions, the Company raised $2,760,000 in 2019 from the issuance of promissory notes to individuals and accredited investors bearing interest at rates of 10% to 18% per annum, and maturing in 2020 and 2021. No additional promissory notes were issued in 2018 than those previously described above.

Note Settlements

During 2018, holders of previously issued promissory notes with principal balances of $1,075,000 converted such promissory notes into 1,568,375 shares of common stock at conversion prices ranging from $0.65 to $0.90 per share. The conversions resulted in the recording of non-cash losses of approximately $829,000 in the aggregate based on the fair value of the common stock on the dates of conversion. No conversions of promissory notes occurred during 2019.

During 2019 and 2018, the Company issued 2,435,116 shares and 3,827,373 shares of its common stock, respectively, and subscriptions on zero and 79,136 shares of its common stock, respectively to retire promissory notes (principal and accrued interest) of approximately $1,047,000 and $7,590,000, respectively. The Company recorded non-cash losses of approximately $2.5 million in 2018 based on the fair value of the common stock on the retirement dates. No such losses were incurred in 2019.

During 2018, the Company repaid $700,000 of promissory notes. No repayments of promissory notes occurred during 2019.

Debt Maturities

As of December 31, 2019, the aggregate scheduled maturities of the Company's total debt outstanding, inclusive of the promissory notes and mortgages described within this Note 11 – *Debt*, and the convertible debentures described in the following Note 12– *Debentures Payable,* were:

2020	$	21,433,484
2021		11,262,710
2022		280,830
2023		300,248
2024		320,702
Thereafter		5,822,397
Total		39,420,370
Less discounts		(3,135,686)
	$	36,284,684

NOTE 12 – DEBENTURES PAYABLE

In October and November 2018, pursuant to a securities purchase agreement (the “SPA”), the Company sold an aggregate of $10,000,000 of convertible debentures to an accredited investor bearing interest at the rate of 6% per annum that mature two years from issuance, with a 1% issuance discount, resulting in net proceeds to the Company of $9,900,000 (the “$10M Debentures”).

The holder of the $10M Debentures (the “Holder”) has the right at any time to convert all or a portion of the $10M Debenture, along with accrued and unpaid interest, into the Company’s common stock at conversion prices equal to 80% of a calculated average, as determined in accordance with the terms of the $10M Debentures, of the daily volume-weighted price during the ten consecutive trading days preceding the date of conversion. Notwithstanding this conversion right, the Holder shall limit conversions in any given month to certain agreed-upon amounts based on the conversion price, and the Holder shall also be limited from beneficially owning more than 4.99% of the Company’s outstanding common stock (potentially further limiting the Holder’s conversion right).

The Company shall have the right to redeem all or a portion of the $10M Debentures, along with accrued and unpaid interest, at a 10% premium, provided that the Company first deliver advance written notice to the Holder of its intention to make a redemption, with the Holder allowed to effect certain conversions of the $10M Debentures during such notice period.

Upon a change in control transaction, as defined in the $10M Debentures, the Holder may require the Company to redeem all or a portion of the $10M Debentures at a price equal to 110% of the outstanding principal amount of the $10M Debentures, plus all accrued and unpaid interest thereon. So long as the $10M Debentures are outstanding, in the event the Company enters into a Variable Rate Transaction (“VRT”), as defined in the SPA, the Holder may cause the Company to revise the terms of the $10M Debentures to match the terms of the convertible security issued in such VRT.

In conjunction with the issuance of the $10M Debentures, the Company issued two warrants to the Holder to purchase 142,857 and 181,818 shares of the Company’s common stock at exercise prices of $3.50 and $5.50 per share, respectively, and expiring three years from issuance (the “Initial Warrants”). The fair value of the Initial Warrants of approximately $1,058,000 was recorded as a discount to the carrying amount of the $10M Debentures.

Pursuant to the terms of a registration rights agreement with the Holder, entered into concurrently with the SPA and the $10M Debentures, the Company agreed to provide the Holder with certain registration rights with respect to any potential shares issued pursuant to the terms of the SPA, the $10M Debentures, and the Initial Warrants.

Subsequent to entering into the SPA and related agreements, the Company and the Holder executed an addendum to the SPA whereby the Holder agreed to that it would not undertake a conversion of all or a portion of the $10M Debentures that would require the Company to issue more shares than the amount of available authorized shares at the time of conversion, which amount of authorized shares shall not be less than the current authorized number of 500 million shares of common stock. Such addendum eliminated the requirement to bifurcate and account for the conversion feature of the $10M Debentures as a derivative.

Based on the conversion prices of the $10M Debentures in relation to the market value of the Company’s common stock, the $10M Debentures provided the Holder with a beneficial conversion feature, as the embedded conversion option was in-the-money on the commitment date. The intrinsic value of the beneficial conversion feature of approximately $5,570,000 was recorded as a discount to the carrying amount of the $10M Debentures, with an offset to additional paid-in-capital.

In May 2019, the Company sold to the Holder an additional $5,000,000 convertible debenture bearing interest at the rate of 6% per annum that matures two years from issuance, with a 1% issuance discount, resulting in net proceeds to the Company of $4,950,000 (the “$5M Debentures”). In each of June and August 2019, the Company sold to the Holder an additional $2,500,000 of convertible debentures, totaling $5,000,000, that mature two years from issuance, with a 7% issuance discount, resulting in aggregate net proceeds to the Company of $4,650,000 (the “Two $2.5M Debentures,” and together with the $5M Debentures, the “Additional $10M Debentures”).

The terms of the Additional $10M Debentures are consistent with the terms of the $10M Debentures, except that (i) no interest shall accrue on the Two $2.5M Debentures, (ii) the issuance discount on the Two $2.5M Debentures is 7%, compared to 1% on the $10M Debentures and the $5M Debentures, and (iii) other small variations, most notably a cap on the conversion price. The SPA, registration rights agreement, and addendum to the SPA were all amended and restated to incorporate the Additional $10M Debentures.

As part of issuance of the Additional $10M Debentures, the Company issued three-year warrants to the Holder to purchase 550,000 and 300,000 shares of common stock at exercise prices of $3.00 and $5.00 per share, respectively (the “Additional Warrants”). The fair value of the Additional Warrants of approximately $1,148,000 was recorded as a discount to the carrying amount of the Additional $10M Debentures.

Based on the conversion prices of the Additional $10M Debentures in relation to the market value of the Company’s common stock, the Additional $10M Debentures provided the Holder with a beneficial conversion feature, as the embedded conversion option was in-the-money on the commitment date. The aggregate intrinsic value of the beneficial conversion feature of approximately $4,235,000 was recorded as a discount to the carrying amount of the Additional $10M Debentures, with an offset to additional paid-in-capital.

In November and December 2018, the Holder converted, in two separate transactions, an aggregate of $1,400,000 of principal and approximately $36,000 of accrued interest into 524,360 shares of common stock at conversion prices of $2.23 and $3.04 per share.

In January 2019, the Holder converted, in three separate transactions, an aggregate of $600,000 of principal and approximately $97,000 of accrued interest into 233,194 shares of common stock at conversion prices ranging from $2.90 to $3.06 per share. In April and June 2019, the Holder converted, in four separate transactions, an aggregate of $1,750,000 of principal and approximately $181,000 of accrued interest into 923,185 shares of common stock at conversion prices ranging from $1.74 to $2.74 per share. In July, the Holder converted, in two separate transactions, an aggregate of $2,750,000 of principal and approximately $17,000 of accrued interest into 2,435,144 shares of common stock at conversion prices of $1.08 and $1.70 per share. In September 2019, the Holder converted $2,400,000 of principal and approximately $64,000 of accrued interest into 3,206,816 shares of common stock at a conversion price of $0.77 per share. In December 2019, the Holder converted $1,100,000 of principal and approximately $17,000 of accrued interest into subscriptions on 3,004,131 shares of common stock at a conversion price of $0.37 per share.

All of the aforementioned conversions were performed in accordance with the terms of their respective convertible debenture agreements, and therefore the Company was not required to record a gain or loss on such conversions.

During 2019 and 2018, amortization of the beneficial conversion features, after adjustment for the conversions, approximated $5,242,000 and $1,522,000, respectively; amortization of the discounts from the Initial Warrants and Additional Warrants (together, the "Total Warrants") approximated $1,298,000 and $91,000 respectively; and the amortization of original issue discounts approximated $107,000 and $9,000, respectively. This amortization was charged to interest expense. Additionally, accrued interest expense for such periods approximated $513,000 in 2019 and $98,000 in 2018.

At December 31, 2019, the aggregate outstanding principal balance on the $10M Debentures and the Additional $10M Debentures (together, the "$20M Debentures") was $10,000,000. Also on such date, the unamortized balances of the beneficial conversion feature, the Total Warrants discount, and original issue discounts were approximately $3,041,000, $817,000, and $307,000, respectively. Accordingly, at December 31, 2019, the carrying value of the $20M Debentures was approximately $5,835,000.

At December 31, 2018, the outstanding principal balance on the $10M Debentures was $8,600,000. Also on such date, the unamortized balances of the beneficial conversion feature, Initial Warrants discount, and original issue discounts were approximately $4,048,000, $966,000, and $91,000, respectively, and accrued and unpaid interest was approximately $62,000. Accordingly, at December 31, 2018, the carrying value of the $10M Debentures was approximately $3,557,000.

NOTE 13 – EQUITY

Preferred Stock

In January 2018, all 500,000 shares of subscribed Series A convertible preferred stock then outstanding were converted into 970,988 shares of common stock at a conversion price of $0.55 per share. The Company recorded a non-cash loss on conversion of approximately $34,000 based on the market value of the common stock on the conversion date. At December 31, 2019 and 2018, no shares of Series A convertible preferred stock were issued or outstanding.

In February 2020, the Company filed a certificate of elimination to return all shares of the Series A convertible preferred stock to the status of authorized and unissued shares of undesignated preferred stock. Concurrent with this filing, the Company also filed a certificate of designation to designate the rights and preferences of newly authorized Series B convertible preferred stock, shares of which were issued in February 2020 as further discussed in Note 21 – *Subsequent Events*.

Common Stock

During 2019, the Company sold 1,014,995 shares of common stock at prices of $0.70 and $3.25 per share, resulting in total proceeds of $2,750,000. During 2018, the Company sold 10,111,578 shares of common stock, at prices ranging from $0.50 to $1.30 per share, resulting in total proceeds of approximately $8.5 million.

During 2019 and 2018, the Company issued 97,136 and 1,000,000 common shares, respectively, associated with previously issued subscriptions on common stock with a value of approximately $169,000 and $370,000, respectively.

During 2019 and 2018, the Company issued 172,663 and 3,420,526 common shares, respectively, in exchange for services rendered by third-parties or to otherwise settle outstanding obligations. Based on the market value of the common stock on the dates of issuance, the Company recorded non-cash losses on these settlements of approximately $5,000 in 2019 and $1,024,000 in 2018.

In 2019, the Company granted 141,546 shares of common stock to employees at an aggregate value of approximately $223,000. Of these granted shares, 32,726 were not issued as of December 31, 2019 and were reflected in *Common Stock Subscribed But Not Issued* on the balance sheet. No common stock was granted in 2018.

As previously disclosed in Note 3– *Acquisitions*, the Company issued (i) 264,317 shares of common stock in connection with the acquisition of iRollie in 2018, (ii) 1,000,000 shares of common stock in connection with the acquisition of the KPGs and Mari-IL in 2019, (iii) 1,000,000 shares of stock as a good faith deposit in 2019 on the Harvest acquisition, and (iv) 520,000 shares of commons stock in connection with the acquisition of MediTaurus in 2019.

As previously disclosed in Note 4– *Investments*, the Company issued 500,000 shares of common stock in 2019 to purchase a minority interest in Terrace in 2019, and 378,259 shares of its common stock in 2018 to purchase a minority interest in CVP.

As previously disclosed in Note 11 –*Debt*, the Company issued (i) 1,568,375 shares of common stock in 2018 to former noteholders who converted promissory notes with principal balances of $1,075,000, and (ii) 2,435,116 shares in 2019 and 3,827,373 shares in 2018 of common stock to retire promissory notes (principal and accrued interest) of approximately $1,047,000 in 2019 and $7,590,000 in 2018.

As previously disclosed in Note 12 –*Debentures Payable*, the holder of the $20M Debentures converted (i) in 2018, approximately $1,436,000 of principal and interest into 524,360 shares of common stock, and (ii) in 2019, approximately $8,976,000 of principal and interest into 6,798,339 shares of common stock and subscriptions on 3,004,131 shares of common stock.

As further disclosed in Note 14– *Stock Options*, during 2019 and 2018, 3,261,808 and 760,000 sharesof common stock, respectively, were issued in connection with the exercise of stock options.

As further disclosed in Note 15– *Warrants*, during 2019 and 2018, warrants to purchase 686,104 and 2,300,237shares of common stock, respectively, were exercised.

Common Stock Issuance Obligations

At December 31, 2019, the Company was obligated to issue (i) 32,726 shares of common stock, valued at approximately $29,000, in connection with the stock grants disclosed earlier in this Note 13 – *Equity*, (ii) 3,004,131 shares of common stock, valued at approximately $1,117,000, with respect to the December 2019 conversion of a portion of the $20M Debentures as previously disclosed in Note 12 – *Debentures Payable,* and (iii) 200,000 shares of common stock associated with exercise of stock options by the Company's CEO as further disclosed in Note 19 – *Related Party Transactions.* These shares were issued in the first quarter of 2020.

At December 31, 2018, the Company was obligated to issue: (a) 79,136 shares of common stock, valued at approximately $95,000, related to the settlement of a previously issued promissory note with a principal balance of $50,000 and accrued interest of $1,454; and (b) 18,000 shares of common stock, valued at approximately $74,000, for the payment of rent for a leased property in Massachusetts for the months of September 2018 through January 2019. Such shares were subsequently issued in the first quarter of 2019.

Membership Interests

In August 2018, an individual member of Mari Holdings MD LLC, a majority owned subsidiary of the Company ("Mari-MD"), exchanged his 0.5% membership interest in such subsidiary for 222,222 shares of the Company's common stock. In December 2018, a subscriptions receivable balance of $25,000 related to a member's interest in a majority-owned subsidiary was written off, with a corresponding reduction of such member's capital contribution account.

Amended and Restated 2018 Stock Award and Incentive Plan

In August 2019, the Company's board of directors approved the Amended and Restated 2018 Stock Award and Incentive Plan (the "Incentive Plan"), based on the board's belief that awards authorized under the Incentive Plan provide incentives for the achievement of important performance objectives and promote the long-term success of the Company. In September 2019, the Incentive Plan was approved by the stockholders at the Company's annual stock-holders meeting.

The Incentive Plan is an omnibus plan, authorizing a variety of equity award types as well as cash and long-term incentive awards. The Incentive Plan amends and restates the Company's 2018 Stock Award and Incentive Plan (the "Previous Plan"), which was approved by the board of directors in July 2018 but never presented to stockholders for approval. Any grants made under the Previous Plan prior to the approval date of the Incentive Plan shall continue to be governed by the terms of the Previous Plan.

The Incentive Plan authorizes a broad range of awards, including stock options, stock appreciation rights, restricted stock, deferred stock, dividend equivalents, performance shares, cash-based performance awards, and other stock-based awards. Such awards can be granted to employees, non-employee directors and other persons who provide substantial services to the Company and its affiliates. Nothing in the Incentive Plan precludes the payment of other compensation to officers and employees, including bonuses based upon performance, outside of the Incentive Plan.

An aggregate of 40,000,000 shares are reserved for delivery to participants, and may be used for any type of award under the Incentive Plan. Shares actually delivered in connection with an award will be counted against such number of reserved shares. Shares will remain available for new awards if an award under the Incentive Plan expires, is forfeited, canceled, or otherwise terminated without delivery of shares or is settled in cash. Each award under the Incentive Plan is subject to the Company's claw back policy in effect at the time of grant of the award.

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

NOTE 14 – STOCK OPTIONS

During 2019, the Company granted options to purchase 2,565,000 shares of common stock, expiring four and five years from their grant dates, at exercise prices ranging from $0.42 to $1.95 per share. The fair value of these option grants of approximately $1,502,000 is being amortized over their respective vesting periods, of which approximately $544,000 was amortized in 2019.

During 2018, the Company granted options to purchase 4,720,000 shares of common stock, expiring four and five years from their grant dates, at exercise prices ranging from $0.14 to $3.72 per share. The fair value of these option grants of approximately $5,897,000 is being amortized over their respective vesting periods, of which approximately $3,339,000 and $1,534,000 was amortized in 2019 and 2018, respectively.

During 2019, options to purchase 3,667,499 shares of common stock were exercised at prices ranging from $0.08 to $0.77 per share. Of these exercised options, 2,167,499 were exercised on a cashless basis with the exercise prices paid via the surrender of 405,691 shares of common stock.

During 2018, options to purchase 760,000 shares of common stock were exercised at prices ranging from $0.08 to $0.63 per share. Of these exercised options exercised in 2018, 460,000 were exercised on a cashless basis with the exercise price paid via the surrender of 105,398 shares of common stock.

During 2019, options to purchase 117,501 shares of common stock expired, and options to purchase 818,750 shares of common stock were forfeited, resulting in an aggregate reduction of amortization expense of approximately $432,000 in 2019. During 2018, options to purchase 200,000 shares of common stock expired, and options to purchase 250,000 shares of common stock were forfeited, resulting in an aggregate reduction of amortization expense of approximately $71,000 in 2018.

Stock options outstanding and exercisable as of December 31, 2019 were:

Exercise Price per Share		Shares Under Option Outstanding	Shares Under Option Exercisable	Remaining Life in Years
$	0.130	200,000	200,000	0.50
$	0.140	550,000	550,000	1.00
$	0.330	50,000	50,000	1.19
$	0.417	900,000	-	4.99
$	0.450	125,000	125,000	1.76
$	0.590	15,000	-	4.94
$	0.630	300,000	300,000	2.00
$	0.770	200,000	200,000	3.00
$	0.900	50,000	50,000	3.37
$	0.910	50,000	50,000	2.81
$	0.950	50,000	30,000	3.00
$	0.992	300,000	-	4.74
$	1.000	200,000	15,000	4.84
$	1.350	100,000	-	3.58
$	1.950	500,000	125,000	3.50
$	2.320	100,000	100,000	3.70
$	2.450	2,000,000	2,000,000	2.98
$	2.500	100,000	50,000	3.66
$	2.650	200,000	150,000	3.73
$	2.850	56,250	37,500	2.95
$	2.850	100,000	50,000	3.95
$	3.000	25,000	12,500	3.96
$	3.725	100,000	100,000	3.94
		6,271,250	4,207,500	

NOTE 15 – WARRANTS

In conjunction with the issuance of the $20M Debentures previously disclosed in Note 12– *Debentures Payable*, in 2019 and 2018, the Company issued three-year warrants to purchase 850,000 and 324,675 shares of its common stock, respectively, at exercise prices of $3.00 to $5.00 per share and $3.50 to $5.50 per share, respectively. The fair value of these warrants at issuance approximated $1,148,000 in 2019 and $1,058,000 in 2018, with approximately $1,298,000 amortized to interest expense in 2019, approximately $91,000 in 2018, and the balance to be amortized over the remaining durations of the $20M Debentures.

As part of the $10M Note transaction previously disclosed in Note 11– *Debt*, in 2019, the Company issued three-year warrants to purchase 375,000 shares of common stock at an exercise price of $4.50 per share. The fair value of these warrants at issuance approximated $601,000, with approximately $523,000 of this amount amortized to interest expense during the year, and the balance to be amortized by the initial January 2020 maturity date of the $10M Note.

In connection with $3M Note transaction previously disclosed in Note 11– *Debt*, in 2018, the Company issued three-year warrants to purchase 750,000 shares of the Company's common stock at an exercise price of $1.80 per share. The fair value of these warrants at issuance approximated $1,511,000, with approximately $882,000 amortized to interest expense during 2018, and the remaining $629,000 amortized during 2019.

In addition to the above warrants issued with the $20M Debentures, $10M Note, and $3M Note, in connection with promissory notes issued to individuals in 2019 and 2018, the Company issued warrants to purchase 10,000 and 237,500 shares of common stock, respectively, at an exercise price of $0.75 and $0.55 per share, respectively, expiring four years and three years, respectively, from issuance. The fair value of these warrants at issuance of approximately $5,000 in 2019 and $198,000 in 2018 were fully amortized to interest expense in the year of issuance.

In 2018, alongside the sale of common stock, the Company issued three-year and five-year warrants to purchase 6,098,962 shares of common stock at exercise prices ranging from $1.75 to 4.30 per share. The fair value of these warrants at issuance of approximately $11,146,000 was treated as a reduction to the value of the common stock and charged to *Additional Paid-In Capital* on the balance sheet. No warrants were issued alongside sales of common stock in 2019.

In 2019 and 2018, the Company issued stand-alone warrants to purchase 1,250,000 and 625,000 shares of common stock, respectively, at exercise prices of $0.80 to 1.71 per share in 2019, and $0.20 to $2.45 per share in 2018. The 2019 warrants expire three years from issuance and the 2018 options expire three and five years from issuance. The fair value of the warrant issuances of approximately $392,000 in 2019 and $1,815,000 in 2018 were charged to expense in the year of issuance.

During 2019 and 2018, warrants to purchase 686,104 and 2,300,237 shares of common stock, respectively, were exercised at exercise prices ranging from $0.12 to $1.75 per share in 2019 and $0.10 to $0.75 per share in 2018.

At December 31, 2019 and 2018, warrants to purchase 11,780,107 and 10,606,211 shares of common stock, respectively, were outstanding with exercise prices ranging from $0.15 to $5.50 per share in 2019 and $0.12 to $5.50 per share in 2018.

NOTE 16 – REVENUES

For the years ended December 31, 2019 and 2018, the Company's revenues were comprised of the following major categories:

	2019	2018
Real estate	$ 6,836,316	$ 6,441,160
Management	2,798,738	1,581,548
Supply procurement	3,555,555	3,015,745
Licensing	1,794,161	700,173
Product sales	1,542,037	-
Product sales to related party	29,029,249	-
Other	48,589	113,289
Total revenues	$ 45,604,644	$ 11,851,915

For the year ended December 31, 2019, revenue from three clients represented 92% of total revenues. One of these clients was GenCanna, a related party, with whom the Company conducted the seed sale transactions previously disclosed in Note 1 – *Organization and Description of Business.* The total revenue from these transactions with GenCanna are reflected under *Product Sales To Related Party* in the table above.

Excluding the revenues from GenCanna, two clients represented 78% and 73% of revenues for the years ended December 31, 2019 and 2018, respectively.

NOTE 17 – BAD DEBTS

For the years ended December 31, 2019 and 2018, the Company recorded bad debt expense of approximately $44.5 million and $150,000, respectively.

The amount recorded in 2019 included (i) the write off of the accounts receivable balance due from GenCanna of approximately $29.0 million following GenCanna's Chapter 11 filing, and (ii) the recording of bad debt reserves against the accounts receivable and working capital balances due from Kind of approximately $9.7 million and approximately $1.5 million, respectively, in light of the current litigation between the Company and Kind.

Additionally, 2019 bad debt expense included the following amounts that were based on the Company's expectation of the negative impact of the coronavirus pandemic on the operations of certain of the Company's debtors, and therefore the collectibility thereof: (i) the recording of bad debt reserves against the accounts receivable and working capital balances due from Harvest of approximately $239,000 and $1.9 million, respectively, and (ii) the write off of notes receivable and accrued interest balances due from Atalo of approximately $1.0 million and two other entities of approximately $650,000 in the aggregate.

NOTE 18 – INCOME TAXES

For the years ended December 31, 2019 and 2018, the Company's cumulative net operating losses were approximately $26.3 million and $11.6 million, respectively, and accordingly a tax provision was not required for the years then ended.

The reconciliations between the Company's effective tax rates and the statutory tax rate for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
U.S Federal taxes at the statutory rate	21.0%	21.0%
State taxes net of federal benefit	6.3%	6.3%
Valuation allowance	(27.3)%	(27.3)%
Total	0.0%	0.0%

The approximate income tax effect of each type of temporary difference and carryforward as of December 31, 2019 and 2018 is as follows:

	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 26,291,878	$ 11,559,576
Deferred tax liabilities:		
Fixed assets	(5,421,341)	(3,529,167)
Net deferred tax asset	20,870,537	8,030,409
Valuation allowance	(20,870,537)	(8,030,409)
Total	$ -	$ -

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 taxes are recognized for the future tax consequences of differences between the tax and financial accounting bases of assets and liabilities at each reporting period. Deferred income taxes are based on enacted tax laws and statutory tax rates applicable to the period in which these differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Tax Cuts and Jobs Act (the "TCJA") was enacted on December 22, 2017. Among other things, the TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign sourced earnings.

The one-time transition tax is based on the Company's total post-1986 earnings and profits ("E&P") for which the Company has previously deferred from U.S. income taxes. As of December 31, 2018, the Company has completed its calculation of the total post-1986 foreign E&P for these foreign subsidiaries. The Company has not recognized any adjustments in its income tax expense for its one-time transition tax liability.

The Company has provided a valuation allowance against its net deferred tax assets at December 31, 2019 and 2018. Based upon the level of historical U.S. earnings and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will not realize the benefits of these deductible differences.

The federal net operating losses carryforward indefinitely, subject to an annual limitation of 80% of taxable income. The 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 and change of ownership as defined under IRC Section 382, which will limit their utilization. The Company has not completed a study through December 31, 2019 to assess whether an ownership change under Section of 382 of the Code has occurred during 2019, due to the costs and complexities associated with such a study. The Company may have experienced various ownership changes, as defined by the code, as a result of financing transactions. Accordingly, the Company's ability to utilize the aforementioned carryforwards may be limited.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred through the period ended December 31, 2019. Such objective evidence limits the ability to consider the subjective evidence, such as the Company's projections for future growth. On the basis of this evaluation, as of December 31, 2019, a valuation allowance has been recorded against all net deferred tax assets as these assets are more likely than not to be unrealized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to the subjective evidence such as the Company's projections for growth.

The Company previously adopted the provision for uncertain tax positions under ASC 740. The adoption did not have an impact on the Company's retained earnings balance. At December 31, 2019 and 2018, the Company had no recorded liabilities for uncertain tax positions and had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state jurisdictions. The Company is currently open to examination under the statute of limitations by the Internal Revenue Service and state jurisdictions for the tax years ended 2016 through 2019. Since the Company is in a U.S. loss carryforward position, carryforward tax attributes generated in prior years may still be adjusted upon future examination if they have or will be used in a future period.

NOTE 19 – RELATED PARTY TRANSACTIONS

During 2019, the Company entered into several hemp seed sale transactions with GenCanna, a related party, whereby the Company acquired large quantities of top-grade feminized hemp seeds at volume discounts that it sold to GenCanna at market rates as previously disclosed in Note 1 – *Organization and Description of Business.*

As disclosed in Note 11– *Debt*, the Company's two mortgages with Bank of New England are personally guaranteed by the Company's CEO and CFO.

In 2019, the Company granted five-year options to purchase 100,000 shares of common stock to each of the Company's three independent board members at an exercise price of $0.99. The aggregate fair value of these options of approximately $191,000 is being amortized over the vesting period, of which approximately $189,000 was amortized at December 31, 2019. In 2018, the Company granted options to purchase 1.45 million shares of common stock to the Company's board members at exercise prices ranging from $0.14 to $0.77 and expiring between December 2020 and December 2022. The aggregate fair value of these options of approximately $480,000 was fully amortized by June 30, 2018.

In 2019, options to purchase 200,000 and 132,499 shares of common stock were exercised by the Company's CEO and an independent board member, respectively, at weighted average exercise prices of $0.11 and $0.08 per share, respectively. The independent board member's options were exercised on a cashless basis with the exercise prices paid via the surrender of 3,108 shares of common stock. At December 31, 2019, the shares of common stock associated with the exercise by the Company's CEO were not issued and reflected in *Common Stock Subscribed But Not Issued* on the balance sheet. In 2018, options to purchase 400,000 shares of common stock were exercised by an independent board member at exercise prices of $0.08 to $0.63 per share on a cashless basis with the exercise prices paid via the surrender of 98,000 shares of common stock.

In 2019 and 2018, options to purchase 117,501 and 200,000 shares of common stock, respectively, were forfeited by board members.

The Company's current corporate offices are leased from a company owned by a related party under a 10-year lease that commenced August 2018 and contains a five-year extension option. Previous to this lease, the Company's former corporate offices were also leased from a company owned by a related party. For the year ended December 31, 2019 and 2018, expenses incurred under these leases approximated $156,000 and $78,000, respectively.

The balance of *Due To Related Parties* at December 31, 2019 and 2018 of approximately $1,455,000 and $276,000, respectively, were comprised of amounts owed of approximately (i) $420,000 and $81,000, respectively, to the Company's CEO and CFO, (ii) $975,000 and $135,000, respectively, to two companies partially owned by these officers, and (iii) $60,000 in both periods to two stockholders of the Company. Such amounts owed are not subject to repayment schedules.

The balance of *Due From Related Parties* at December 31, 2018 of approximately $120,000 was comprised of an advance to an entity partially owned by the Company's CEO and CFO. This amount was entirely offset by payments made to the Company from the related entity. At December 31, 2019, there were no amounts due from related parties.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company is the lessee under five operating leases and four finance leases. These leases contain rent holidays and customary escalations of lease payments for the type of facilities being leased. The Company recognizes rent expense on a straight-line basis over the expected lease term, including cancelable option periods which the Company fully expects to exercise. Certain leases require the payment of property taxes, insurance and/or maintenance costs in addition to the rent payments.

The details of the Company's operating lease agreements are as follows:

- Delaware – 4,000 square feet of retail space in a multi-use building under a five-year lease that commenced in October 2016 and contains a five-year option to extend the term. The Company developed the space into a cannabis dispensary which is subleased to its cannabis-licensed client.
- Delaware – a 100,000 square foot warehouse leased in March 2019 that the Company is developing into a cultivation and processing facility to be subleased to the same Delaware client. The lease term is 10 years, with an option to extend the term for three additional five-year periods.
- Nevada – 10,000 square feet of an industrial building that the Company has built-out into a cannabis cultivation facility and plans to rent to its cannabis-licensed client under a sub-lease which will be coterminous with this lease expiring in 2024.
- Massachusetts – 10,000 square feet of office space which the Company utilizes as its corporate offices under a 10-year lease with a related party expiring in 2028, with an option to extend the term for an additional five-year period.
- Maryland – a 2,700 square foot 2-unit apartment under a lease that expires in July 2020 with an option to renew for a two-year term.

The Company leases machinery and office equipment under finance leases that expire in February 2022 through June 2024 with such terms being a major part of the economic useful life of the leased property.

The components of lease expense for the year ended December 31, 2019 were as follows:

Operating lease cost	$	832,403
Finance lease cost:		
Amortization of right-of-use assets	$	23,085
Interest on lease liabilities		6,414
Total finance lease cost	$	29,499

The weighted average remaining lease term for operating leases is 9.3 years, and for the finance lease is 3.6 years. The weighted average discount rate used to determine the right-of-use assets and lease liabilities was 7.5% for all leases.

Future minimum lease payments as of December 31, 2019 under all non-cancelable leases having an initial or remaining term of more than one year were:

		Operating Leases		Finance Lease
2020	$	917,444	$	38,412
2021		1,008,227		38,412
2022		949,535		27,123
2023		910,166		23,201
2024		835,411		3,229
Thereafter		4,304,441		-
Total lease payments		8,925,223	$	130,377
Less: imputed interest		(2,608,366)		(16,552)
	$	6,316,857	$	113,825

Terminated Employment Agreement

An employment agreement which commenced in 2012 with Thomas Kidrin, the former CEO of the Company, that provided Mr. Kidrin with salary, car allowances, stock options, life insurance, and other employee benefits, was terminated by the Company in 2017. At December 31, 2019 and 2018, the Company maintained an accrual of approximately $1,043,000 for any amounts that may be owed under this agreement, although the Company contends that such agreement is not valid and no amount is due.

In July 2019, Mr. Kidrin, also a former director of the Company, filed a complaint in the Massachusetts Superior Court, that alleges the Company failed to pay all wages owed to him and breached the employment agreement, and requests multiple damages, attorney fees, costs, and interest. The Company has moved to dismiss certain counts of the complaint and has asserted counterclaims against Mr. Kidrin alleging breach of contract, breach of fiduciary duty, money had and received, and unjust enrichment. The Company believes that the allegations in the complaint are without merit and intends to vigorously defend this matter and prosecute its counterclaims.

Maryland Acquisition

As previously disclosed in Note 3– *Acquisitions*, the sellers of Kind have attempted to renegotiate the terms of the MOU, alleging that the MOU is not an enforceable agreement, despite the MOU containing all the definitive material terms with respect to the acquisition transaction and confirming the management and lease agreements. The Company engaged with the sellers in a good faith attempt to reach updated terms acceptable to both parties, but the non-reciprocation of the sellers resulted in an impasse and both parties commenced legal proceedings.

On November 13, 2019, Kind commenced an action in the Circuit Court for Washington County, MD against the Company alleging, inter alia, breach of contract, breach of fiduciary duty and unjust enrichment, and seeking a declaratory judgment, injunctive relief, an accounting and damages in excess of $75,000. On November 15, 2019, the Company filed counterclaims against Kind and, as plaintiffs, the Company commenced an action against the Kind sellers alleging breach of contract with respect to the MOU and the management agreement, unjust enrichment, promissory estoppel/detrimental reliance, and fraud in the inducement. The Company seeks a declaratory judgement that the MOU is an enforceable contract, specific performance of such contact, and the establishment of a constructive trust for the Company's benefit.

Both parties brought motions for a temporary restraining order and a preliminary injunction. On November 21, 2019, the Court denied both parties' motion for a temporary restraining order. In its opinion, the Court specifically noted that, contrary to Kind's allegations, the management agreement and lease "appear to be independent, valid and enforceable contracts." Currently, each party's preliminary injunction motion is pending before the Court. The Company believes that its claims for breach of contract with respect to the MOU and the management agreement, unjust enrichment, promissory estoppel/detrimental reliance, and fraud in the inducement are meritorious and that Kind's claims against the Company are without merit. The Company intends to aggressively prosecute and defend the action.

NOTE 21 – SUBSEQUENT EVENTS

GenCanna Bankruptcy Filing

In February 2020, GenCanna filed for voluntary reorganization under Chapter 11 of the Bankruptcy Code with the U.S. Bankruptcy Court for the Eastern District of Kentucky. The filing is intended to permit GenCanna to operate its business while working through a reorganization plan that could include refinancing of its existing indebtedness, or an alternative restructuring transaction such as a sale.

Consequently, as of December 31, 2019, the Company wrote off the outstanding receivable balance from GenCanna of approximately $29.0 million and the related balance of unearned revenue of approximately $4.2 million as previously discussed in Note 1 – *Organization and Description of Business.*

Additionally, the Company recorded a charge to net income of approximately $30.2 million, classified under *Loss on Equity Investments* on the statement of operations for the year ended December 31, 2019, which reduced to zero the carrying value of the Company's previous investment in GenCanna as previously discussed in Note 4 – *Investments*.

Exchange Agreement

In February 2020, the Company entered into an exchange agreement with two institutional shareholders (the "TIS") whereby the TIS loaned the Company an aggregate of $4,417,500. In return for the loans, and the Company (i) issued promissory notes to the TIS for the aggregate amount, bearing interest at 16.5% per annum and maturing in August 2021, with a right to extend the maturity date through February 2022 upon payment of an extension fee. and (ii) exchanged 4,903,333 shares of the Company's common stock previously acquired by the TIS, for an equal number of shares of newly designated Series B convertible preferred stock.

In connection with the exchange agreement, the Company filed (i) a certificate of designation to designate the rights and preferences of the Series B convertible preferred stock, and (ii) a certificate of elimination to return all shares of the Series A convertible preferred stock, of which no shares were issued or outstanding at the time of filing, to the status of authorized and unissued shares of undesignated preferred stock.

Issuance of Additional Debenture

In February 2020, the Company sold to the Holder of the $20M Debentures an additional convertible debenture in the principal amount of $1,000,000 bearing interest at a rate of 6.5% per annum that matures one year from issuance, with a 6.5% issuance discount, resulting in net proceeds to the Company of $935,000 (the "$1M Debenture").

The terms of the $1M Debenture are consistent with the terms of the $20M Debentures. The SPA, registration rights agreement, and addendum to the SPA were all amended and restated to incorporate the $1M Debenture. As part of issuance of the $1M Debenture, the Company issued three-year warrants to the Holder to purchase 180,000 shares of common stock at an exercise prices of $0.75 per share.

Promissory Note Extensions

As previously discussed in Note 11 – *Debt*, the Company and MariMed Hemp issued the $11.5M Note in February 2020 which amended and restated the previously issued $10M Note. The $11.5M Note bears interest at a rate of 15% per annum and matures on June 15, 2020, with monthly interest payments and minimum amortization payments of $3,000,000 in the aggregate due on or before April 30, 2020, of which the Company has already paid $2.3 million. The $11.5M Note is secured by a first priority security interest in the assets of certain of the Company's subsidiaries and brands, and a pledge of the Company's ownership interest in certain of its subsidiaries. The $11.5M Note imposes certain covenants on the borrowers effective on the date of the amendment agreement.

The Company also extended the maturity dates of another $9.4 million of promissory notes, and is in the process of finalizing the paperwork to extend another $3.0 million of promissory notes, as a result of which the Company will not be in default on any of its debt servicing payments.

Loan Commitment

In February, the Company received a commitment from an accredited investor for a $12.0 million loan, secured by the Company's real estate, at a rate of 10% per annum with a one-year term, and an option to extend for an additional year. The loan contains an origination fee of four points and a prepayment penalty of two months interest. This transactions is expected to close upon the lender's completion of its due diligence, which is in its final stages, although there is no assurance that it will close in the foreseeable future or at all.

Conversion of Debentures Payable

In January 2020, the holder of the $20M Debentures converted $1,000,000 of principal and approximately $205,000 of accrued interest into 3,555,859 shares of common stock at a conversion price of $0.34 per share.

Promissory Note Paydown

In February, the Company paid cash to retire a promissory note in the principal amount of $100,000 which matured during that month.

Equity Transactions

In the first quarter of 2020, the Company issued 3,236,857 shares of common stock associated with the subscriptions on common stock outstanding at December 31, 2019 and previously disclosed in Note 13 – *Equity*. These subscriptions were comprised of (i) 32,726 shares in connection with common stock granted in 2019; (ii) 3,004,131 shares with respect to the December 2019 conversion of a portion of the $20M Debentures, and (iii) 200,000 shares associated with exercise of stock options by the Company's CEO.

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, Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, and in light of the weaknesses in our internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2019.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, our Chief Executive Officer and Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in *Internal Control—Integrated Framework*. Based on that assessment and using the COSO criteria, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2019, our internal control over financial reporting was not effective because of the material weaknesses described below.

A material weakness is defined as “a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.”

The ineffectiveness of our internal control over financial reporting at December 31, 2019, was due to the lack of a formalized and complete set of policy and procedure documentation evidencing our system of internal controls over financial reporting. This lead to certain adjustments which have been reflected in our audited financial statements. These weaknesses are not uncommon in a company of our size due to personnel and financial limitations.

During the year ended December 31, 2019, we implemented significant measures to remediate previously disclosed factors that lead to the ineffectiveness of our internal control over financial reporting. This included engagement of accounting consultants as needed to provide expertise on specific areas of the accounting guidance, the continued hiring of individuals with appropriate experience in internal controls over financial reporting, and the modification to our accounting processes and enhancement to our financial controls including the ongoing testing of such controls. Further, during the year ended December 31, 2019, we expanded our board of directors to include a majority of independent disinterested directors; established an audit, compensation, and corporate governance committee of the board of directors; and adopted a formal policy with respect to related party transactions.

During 2020, we intend to work to remediate the material weaknesses identified above, which is expected to include (i) the modification to our accounting processes and enhancement to our financial controls, and/or (11) the hiring of an independent consulting or accounting firm to review and document our internal control system to ensure compliance with COSO. However, our current financial position could make it difficult for us to add the necessary resources.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm due to a transition period established by the Jumpstart Our Business Startups Act, or JOBS Act, for emerging growth companies.

Changes in Internal Control over Financial Reporting

Other than as described above, there was no change in 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 year ended December 31, 2019 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

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management’s report in this annual report on Form 10-K.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information called for by this item may be found in the Company's definitive Proxy Statement in connection with its 2020 Annual Meeting of Stockholders to be filed with the SEC on or before April 29, 2020 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information called for by this item may be found in the Company's definitive Proxy Statement in connection with its 2020 Annual Meeting of Stockholders to be filed with the SEC on or before April 29, 2020 and is incorporated herein by reference.

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

Information called for by this item may be found in the Company's definitive Proxy Statement in connection with its 2020 Annual Meeting of Stockholders to be filed with the SEC on or before April 29, 2020 and is incorporated herein by reference.

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

Information called for by this item may be found in the Company's definitive Proxy Statement in connection with its 2020 Annual Meeting of Stockholders to be filed with the SEC on or before April 29, 2020 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information called for by this item may be found in the Company's definitive Proxy Statement in connection with its 2020 Annual Meeting of Stockholders to be filed with the SEC on or before April 29, 2020 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

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

1. Consolidated Financial Statements

See Index to Consolidated Financial Statement on page 28.

2. Financial Statement Schedules

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

3. Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company (a)
3.1.1	Amended Certificate of Incorporation of the Company (b)
3.1.2	Series B Convertible Preferred Stock Certificate of Designation as filed with the Secretary of State of Delaware on February 27, 2020. (i)
3.1.3	Certificate Eliminating the Series A Preferred Stock as filed with the Secretary of State of Delaware on February 27, 2020. (i)
3.2	By-Laws - Restated as Amended (a)
4.1	Amended and Restated Promissory Note, dated February 10, 2020, in the principal amount of $11,500,000, issued by MariMed Hemp Inc. and MariMed Inc. (f)
4.1.1	Promissory Note, dated February 27, 2020, in the principal amount of $3,742,500, issued by MariMed Inc. to Navy Capital Green Fund, LP. (i)
4.1.2	Promissory Note, dated February 27, 2020, in the principal amount of $675,000, issued by MariMed Inc. to Navy Capital Green Co-Invest Fund, LLC. (i)
10.1	Employment Agreement dated as of August 30, 2012 between Worlds Online Inc. and Thomas Kidrin (a)
10.2	2011 Stock Option and Restricted Stock Award Plan (a)
10.3	Form of Convertible Debenture issued by the Company (c)
10.4	Form of Secured Convertible Debenture of GenCanna Global, Inc. (c)
10.5	Form of Securities Purchase Agreement between the Company and YA II PN, LTD. (c)
10.6	Amended and Restated Registration Rights Agreement dated as of November 5, 2018 between the Company and YA II PN, LTD. (c)
10.7	Amended and Restated 2018 Stock Award and Incentive Plan. (d)
10.8	Form of Stock Option Agreement, dated September 27, 2019, with each of David R. Allen, Eva Selhub, M.D. and Edward J. Gildea. (e)
10.9	Amendment Agreement, dated as of February 10, 2020, between SYYM LLC, as noteholder and collateral agent, and MariMed, Inc. and MariMed Hemp, Inc., as co-borrowers. (g)
10.10	Exchange Agreement, dated as of February 27, 2020, among MariMed Inc., Navy Capital Green Management, LLC, a Delaware limited liability company, as discretionary investment manager of Navy Capital Green Fund, LP, and Navy Capital Green Co-Invest Fund, LLC. (i)
14.1	Code of Ethics (h)
21	List of Subsidiaries *
31.1.	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer *
31.2.	Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer *
32.1.	Section 1350 Certifications of Chief Executive Officer **
32.2.	Section 1350 Certifications of Chief Financial Officer **
101.INS XBRL	Instance Document *
101.SCH XBRL	Taxonomy Extension Schema *
101.CAL XBRL	Taxonomy Extension Calculation Linkbase *
101.DEF XBRL	Taxonomy Extension Definition Linkbase *

101.LAB XBRL Taxonomy Extension Label Linkbase *

101.PRE XBRL Taxonomy Extension Presentation Linkbase *

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

(a) Incorporated by reference to the same numbered Exhibit filed with the from Registration Statement on Form 10-12G (File No. 000-54433) filed on June 9, 2011.

(b) Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2016, filed on April 17, 2017.

(c) Incorporated by reference to Current Report on Form 8-K filed on November 9, 2018.

(d) Incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A, filed on August 26, 2019.

(e) Incorporated by reference to Exhibit 10.2 filed with the Quarterly Report on Form 10-Q for the period ended September 30, 2019, filed on November 29, 2019.

(f) Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed on February 12, 2020.

(g) Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on February 12, 2020.

(h) The Company's Code of Ethics can be found on its website at *https://bit.ly/MRMDethics.*

(i) Incorporated by reference to Current Report on Form 8-K filed on February 27, 2020

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

Dated: March 31, 2020

MARIMED INC.
(Registrant)

By:	*/s/ Robert Fireman*
Name:	Robert Fireman
Title:	President and Chief Executive Office

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

Signature	Title	Date
/s/ Robert Fireman Robert Fireman	President and Chief Executive Officer (Principal Executive Officer)	March 31, 2020
/s/ Jon R. Levine Jon R. Levine	Chief Financial Officer (Principal Financial Officer)	March 31, 2020
/s/ Eva Selhub Eva Selhub	Director	March 31, 2020
/s/ Edward Gildea Edward Gildea	Director	March 31, 2020
/s/ David Allen David Allen	Director	March 31, 2020

INDEX TO EXHIBITS

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(h) The Company's Code of Ethics can be found on its website at *https://bit.ly/MRMDethics.*

(i) Incorporated by reference to Current Report on Form 8-K filed on February 27, 2020

EXHIBIT 21

List of Subsidiaries:

MariMed Advisors Inc. (formed in Massachusetts)

Mia Development LLC (formed in Massachusetts)

Mari Holdings IL LLC (formed in Massachusetts)

Mari Holdings MD LLC (formed in Massachusetts)

Mari Holdings NV LLC (formed in Massachusetts)

Hartwell Realty Holdings LLC (formed in Massachusetts)

iRollie LLC (formed in Massachusetts)

ARL Healthcare Inc. (formed in Massachusetts)

KPG of Anna LLC (formed in Illinois)

KPG of Harrisburg LLC (formed in Illinois)

MariMed Hemp Inc. (formed in Delaware)

MediTaurus LLC (formed in Delaware)

EXHIBIT 31.1

Certifications

I, Robert Fireman, certify that:

1. I have reviewed this annual report on Form 10-K of MariMed Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2020

/s/ Robert Fireman

Robert Fireman
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certifications

I, Jon R. Levine, certify that:

1. I have reviewed this annual report on Form 10-K of MariMed Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2020

/s/ Jon R. Levine

Jon R. Levine
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of MariMed Inc. (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Fireman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, our financial condition and result of operations.

MARIMED INC.
(Registrant)

Date: March 31, 2020

By: ***/s/ Robert Fireman***
Robert Fireman
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of MariMed Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jon R. Levine, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, our financial condition and result of operations.

MARIMED INC.
(Registrant)

Date: March 31, 2020

By: ***/s/ Jon R. Levine***
Jon R. Levine
Chief Financial Officer
(Principal Financial Officer)