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

# FORM 10-Q

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

**For the Quarterly Period ended June 30, 2018**

[ ] 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.) |

26 Ossipee Road, Suite 201
Newton, MA 02464
(Address of Principal Executive Offices)

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

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes [X] No [ ]

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

(Check One):

| | |
|---|---|
| Large Accelerated filer [ ] | Accelerated filer [ ] |
| Non-accelerated filer [ ]<br>(Do not check if a smaller reporting company) | 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 Exchange Act). Yes [ ] No [X]

As of August 14, 2018, 195,228,998 shares of the Issuer's Common Stock were outstanding.

PART I – FINANCIAL INFORMATION

**Item 1. Financial Statements**

MariMed Inc.
Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2018 and 2017

Table of Contents

MariMed Inc.
Condensed Consolidated Balance Sheets

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5,077,126 | $ 1,290,231 |
| Accounts receivable, net | 3,120,070 | 1,453,484 |
| Deferred rents receivable | 1,107,697 | 610,789 |
| Due from third parties | 2,374,652 | 1,196,918 |
| Due from related parties | 134,781 | 134,781 |
| Note receivable, current portion | 48,359 | 45,444 |
| Other current assets | 401,888 | 357,019 |
| Total current assets | 12,264,573 | 5,088,666 |
| | | |
| Property and equipment, net | 31,364,803 | 25,954,931 |
| Note receivable, long-term portion | 653,792 | 578,831 |
| Other assets | 1,157,448 | 579,587 |
| Total assets | $ 45,440,616 | $ 32,202,015 |
| | | |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | $ 2,833,687 | $ 2,831,658 |
| Accrued expenses | 1,602,834 | 1,405,336 |
| Due to related parties | 204,996 | 400,996 |
| Mortgages payable, current portion | 121,199 | 118,556 |
| Common stock subscriptions | 2,584,433 | - |
| Notes payable | 8,740,212 | 10,665,899 |
| Total current liabilities | 16,087,361 | 15,422,445 |
| | | |
| Mortgages payable, long-term portion | 7,471,662 | 5,532,397 |
| Other liabilities | 240,013 | 240,013 |
| Total liabilities | 23,799,036 | 21,194,855 |
| | | |
| Stockholders' equity: | | |
| Series A convertible preferred stock, $0.001 par value; 50,000,000 shares authorized at June 30, 2018 and December 31, 2017; no shares issued or outstanding at June 30, 2018 or December 31, 2017 | - | - |
| Series A preferred stock subscribed but not issued; zero and 500,000 shares at June 30, 2018 and December 31, 2017, respectively | - | 500 |
| Common stock, $0.001 par value; 500,000,000 shares authorized at June 30, 2018 and December 31, 2017; 193,709,580 and 176,940,331 shares issued at June 30, 2018 and December 31, 2017, respectively; 193,462,052 and 176,850,331 shares outstanding at June 30, 2018 and December 31, 2017, respectively | 193,710 | 176,940 |
| Common stock subscribed but not issued; zero and 1,000,000 shares at June 30, 2018 and December 31, 2017 | - | 370,000 |
| Subscriptions receivable | (25,000) | (25,000) |
| Common stock warrants | 8,546,405 | 2,176,379 |
| Treasury stock, at cost; 247,528 and 90,000 shares at June 30, 2018 and December 31, 2017, respectively | (545,000) | (45,000) |
| Additional paid-in capital | 33,703,929 | 20,149,591 |
| Accumulated deficit | (20,214,651) | (11,971,740) |
| Noncontrolling interests | (17,813) | 175,490 |
| Total stockholders' equity | 21,641,580 | 11,007,160 |
| Total liabilities and stockholders' equity | $ 45,440,616 | $ 32,202,015 |

*See accompanying notes to condensed consolidated financial statements.*

MariMed Inc.
Condensed Consolidated Statements of Operations
*(Unaudited)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | $ 2,937,325 | $ 1,621,057 | $ 5,020,275 | $ 2,771,776 |
| Cost of revenues, including depreciation | 913,357 | 469,294 | 1,802,226 | 940,361 |
| Gross profit | 2,023,968 | 1,151,763 | 3,218,049 | 1,831,415 |
| Operating expenses: | | | | |
| Personnel | 284,886 | 136,824 | 469,557 | 304,686 |
| Marketing and promotion | 77,943 | 45,265 | 129,704 | 114,734 |
| General and administrative | 814,914 | 368,557 | 1,521,397 | 582,326 |
| Total operating expenses | 1,177,743 | 550,646 | 2,120,658 | 1,001,746 |
| Operating income | 846,225 | 601,117 | 1,097,391 | 829,669 |
| Non-operating expenses: | | | | |
| Interest expense, net | 267,186 | 96,312 | 563,613 | 177,905 |
| Equity compensation | 6,290,802 | - | 6,863,609 | 19,295 |
| Loss on debt settlements | 563,119 | - | 1,776,960 | 18,278 |
| Other | 3,600 | - | 3,600 | - |
| Total non-operating expenses | 7,124,707 | 96,312 | 9,207,782 | 215,478 |
| Net income (loss) | (6,278,482) | 504,805 | (8,110,391) | 614,191 |
| Net income (loss) to noncontrolling interests | 69,287 | (42,195) | 132,520 | 99,431 |
| Net income (loss) attributable to MariMed Inc. | $ (6,347,769) | $ 547,000 | $ (8,242,911) | $ 514,760 |
| Net income (loss) per share | $ (0.034) | $ 0.008 | $ (0.045) | $ 0.008 |
| Weighted average common shares outstanding | 186,645,833 | 65,593,751 | 182,746,858 | 64,912,354 |

*See accompanying notes to condensed consolidated financial statements.*

MariMed Inc.
Condensed Consolidated Statements of Cash Flows
*(Unaudited)*

| | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) attributable to MariMed Inc. | $ (8,242,911) | $ 514,760 |
| Net income (loss) attributable to noncontrolling interests | 132,520 | 99,431 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 253,713 | 163,410 |
| Equity compensation | 6,863,609 | 19,295 |
| Acquisition of iRollie LLC | 600,000 | - |
| Common stock issued for services | 2,466,003 | 38,965 |
| Loss on preferred stock conversions | 34,044 | - |
| Loss on debt settlements | 818,204 | - |
| Loss on common stock issued for services | 958,757 | 18,278 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (1,666,587) | (448,183) |
| Deferred rents receivable | (496,908) | (67,437) |
| Due from third parties | (1,177,734) | (506,900) |
| Due from related parties | - | (35,108) |
| Other current assets | (44,870) | (56,278) |
| Other assets | (577,861) | (109,520) |
| Accounts payable | 2,029 | 889,489 |
| Accrued expenses | 246,810 | (488,228) |
| Due to related parties | (196,000) | 10,280 |
| Net cash provided by (used in) operating activities | (27,182) | 42,254 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (5,663,585) | (3,766,154) |
| Investment in promissory note | (100,000) | - |
| Interest on notes receivable | 22,125 | 25,097 |
| Net cash used in investing activities | (5,741,460) | (3,741,057) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from subscribed preferred stock | - | 200,000 |
| Proceeds from subscribed common stock | 32,833 | - |
| Issuance of common stock | 8,461,003 | 5,200,000 |
| Issuance of interest in subsidiary | - | 150,000 |
| Issuance (repayments) of promissory notes | (700,000) | 400,000 |
| Proceeds from (payments of) mortgages payable, net | 1,941,908 | (4,728) |
| Exercise of stock options | 39,000 | - |
| Exercise of warrants | 106,618 | - |
| Distributions | (325,825) | - |
| Net cash provided by financing activities | 9,555,537 | 5,945,272 |
| | | |
| Net change to cash and cash equivalents | 3,786,895 | 2,246,469 |
| Cash and cash equivalents at beginning of period | 1,290,231 | 569,356 |
| Cash and cash equivalents at end of period | $ 5,077,126 | $ 2,815,825 |
| | | |
| ***Supplemental disclosure of cash flow information:*** | | |
| *Cash paid for interest* | *$ 553,206* | *$ 157,930* |
| *Cash paid for taxes* | *$ 12,596* | *$ -* |
| | | |
| ***Non-cash activities:*** | | |
| *Equity issued to settle debt* | *$ $1,275,000* | *$ -* |

*See accompanying notes to condensed consolidated financial statements.*

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

MariMed Inc. (the "Company"), a Delaware corporation, develops and manages state-of-the-art, regulatory-compliant facilities for the cultivation, production, and dispensing of legal cannabis and cannabis-infused products. Such facilities, located in multiple states, are leased to the Company's clients in the emerging cannabis industry. Along with operational oversight, the Company provides its clients with legal, accounting, human resources, business development, and other corporate and administrative services.

The Company also provides professional consultative services in all aspects of cannabis licensing procurement. To date, the Company has secured, on behalf of its clients, 11 cannabis licenses across five states—two in Delaware, two in Illinois, one in Nevada, three in Maryland and three in Massachusetts. Accordingly, the Company has developed seed-to-sale cannabis facilities across of these five states in excess of 300,000 square feet.

In addition, the Company licenses precision-dosed, cannabis-infused products to treat specific medical conditions or to achieve a certain result. These products are licensed under the brand names Kalm Fusion™ and Nature's Heritage™, both of which were developed by the Company, and Betty's Eddies™, acquired in October 2017. The Company also has exclusive sublicensing rights in certain states to distribute vaporizer pens developed by Lucid Mood™, as well as the clinically-tested medicinal cannabis strains developed in Israel by Tikun Olam™.

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

The Company was originally incorporated in January 2011 under the name Worlds Online Inc., using the ticker symbol WORX. In early 2017, the Company name and ticker were changed to its current name and ticker. Since inception, the Company had operated an online portal that offers multi-user virtual environments to users. This segment of the business has had insignificant operations since early 2014.

In May 2014, the Company, through its subsidiary MariMed Advisors Inc., acquired Sigal Consulting LLC, a company operating in the cannabis industry. The purchase price consisted of Company common stock, options to purchase additional Company common stock, and a minority interest in MariMed Advisors Inc. This transaction, further disclosed in Note 3, was accounted for as a purchase acquisition where the Company was both the legal and accounting acquirer. In June 2017, the minority interest in MariMed Advisors Inc. was merged into the Company.

In May 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. This acquisition is further disclosed in Note 3.

**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").

In accordance with GAAP, these interim statements do not contain all of the disclosures normally required in annual statements. In addition, the results of operations of interim periods are not necessarily indicative of the results of operations to be expected for the full year. Accordingly, these interim financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes for the year ended December 31, 2017.

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

*Principles of Consolidation*

The accompanying condensed consolidated financial statements include the accounts of MariMed Inc. and its subsidiaries, all of which are majority-owned. 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.

*Revenue Recognition*

The Company's main sources of revenue are comprised of: leasing of its developed cannabis cultivation, production, and dispensary facilities to its cannabis-licensed clients; agreements to provide comprehensive oversight and corporate support to its clients' operations;

consulting services to companies operating in the medical and legal recreational cannabis industries; arrangements for the procurement of cannabis materials and resources; and licensing of branded cannabis products.

The Company recognizes revenue when all of the following criteria are met: evidence of an arrangement exists such as a signed contract, delivery has occurred/services have been performed, the price is fixed or determinable, and collectability is reasonably assured.

*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. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the asset's carrying amount over its estimated fair value.

Impairment analyses are based on management's current plans, intended holding periods and available market information at the time the analyses are prepared. 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 six months ended June 30, 2018 and 2017, based on its impairment analyses, the Company did not have any impairment losses.

*Impairment of Long Lived Assets*

The Company evaluates the recoverability of its fixed assets and other assets in accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("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 utilizing the binomial options pricing model and employing the following inputs: life of instrument, exercise price, value of the underlying security on issuance date, and 2-year volatility of underlying security.

*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 six months ended June 30, 2018 and 2017.

*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 June 30, 2018 and 2017, there were 12,508,932 and 10,475,000, respectively, of potentially dilutive securities in the form of options and warrants. Also as of June 30, 2018 and 2017, there were zero and 500,000 shares, respectively, of subscriptions on convertible preferred stock, and $250,000 and $3,125,000, respectively, of convertible promissory notes, 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 six months ended June 30, 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 calculation, resulting in calculations of basic and fully diluted net income per share that were identical for this period. These 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 would evaluate the perceived merits of the proceedings or claims, and the perceived merits 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 such 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.

*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 November 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which enhances and clarifies the guidance on the classification and presentation of restricted cash in the statement of cash flows. This ASU will be effective in 2019 and its impact is dependent upon the level of restricted cash of the Company, which at this time is insignificant.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which modifies accounting for lessees by requiring the recording of lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. This ASU will be effective in 2020 and the Company is currently evaluating the impact of adoption, which will be determined by the Company's lease portfolio at the time of implementation.

In 2014 and subsequently in 2016, the FASB issued new standards on the recognition of revenue. While the new standards amend the current standards, they are not expected to have a material impact on the amount and timing of revenue recognized in the Company's consolidated financial statements when the new standards are adopted in 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**

In May 2014, the Company, through its subsidiary MariMed Advisors Inc., acquired Sigal Consulting LLC from its ownership group which included the current CEO and CFO of the Company (the "Sigal Ownership Group"). The purchase price received by the Sigal Ownership Group was comprised of (i) 31,954,236 shares of common stock valued at approximately $5,913.000, representing 50% of the Company's outstanding shares on the closing date, (ii) options to purchase three million shares of the Company's common stock, exercisable over five years with exercise prices ranging from $0.15 to $0.35, and valued at approximately $570,000, and (iii) a 49% ownership interest in MariMed Advisors Inc. The excess of purchase price over the book value of the acquired entity was recorded as goodwill, which was subsequently impaired in full and written down to zero.

In June 2017, the remaining 49% interest of MariMed Advisors Inc. was merged into the Company in exchange for an aggregate 75 million shares of common stock to the Sigal Ownership Group.

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. The purchase price was $140,000 plus subscriptions on 1,000,000 shares of the Company's common stock. In addition, the selling company shall receive royalties based on a percentage of the Company's sales of the Betty's Eddies™ product line, commencing at 25% and decreasing to 2.5% as certain sales thresholds are met. For the six months ended June 30, 2018, such royalties approximated $14,000, of which $5,000 were paid and $9,000 accrued at June 30, 2018.

After applying the total purchase price, which consisted of the cash paid plus the fair value of the subscribed common stock on the date of the transaction, to the assessed fair values of the assets purchased, the transaction gave rise to goodwill of approximately $333,000. At June 30, 2018 and December 31, 2017, the Company reviewed the goodwill for impairment and determined that, based on the present value of future cash flows of the acquired assets, there was no impairment. The goodwill is included in *Other Assets* in the Company's financial statements.

In May 2018, the Company issued $600,000 of subscriptions on common stock in exchange for 100% of the ownership interests of iRollie LLC. The Company acquired, among other assets and liabilities, iRollie's entire product line, service offerings, clients, and intellectual property, and hired its two co-founders. After applying the purchase price to the fair value of the assets acquired and liabilities assumed, the Company recorded goodwill of approximately $119,000. At June 30, 2018, the Company determined that the goodwill had not been impaired, which is included in *Other Assets* in the Company's financial statements.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment are shown net of accumulated depreciation and are primarily comprised of the following: land; buildings; building and tenant improvements; furniture and fixtures; and machinery and equipment.

During the six months ended June 30, 2018 and 2017, additions to property and equipment were approximately $5,664,000 million and $3,766,000 million, respectively.

Depreciation expense for the six months ended June 30, 2018 and 2017 was approximately $254,000 and $163,000, respectively. At June 30, 2018 and December 31, 2017, accumulated depreciation approximated $1,746,000 and $1,499,000, respectively.

## NOTE 5 – DEBT

During the six months ended June 30, 2018, the Company received additional capital of approximately $1,998,000 from the existing mortgage on the cannabis cultivation and processing facility it is currently developing in the state of Massachusetts.

During the six months ended June 30, 2017, the Company raised $400,000 from the issuance of a promissory note with an interest rate of 10% and a term of 6 months. No promissory notes were issued during the six months ended June 30, 2018.

During the six months ended June 30, 2018, the Company repaid $700,000 of promissory notes, and converted $1,275,000 of promissory notes into 1,679,486 shares of common stock. The conversions resulted in the recording of non-cash losses totaling $818,000, based on the market value of the common stock on the conversion dates. No repayments or conversions of debt occurred during the same period in 2017.

## NOTE 6 – EQUITY

*Preferred Stock*

In January 2017, the Company increased the number of authorized shares of preferred stock from 5 million to 50 million shares.

During the six months ended June 30, 2017, the Company issued subscriptions on 200,000 shares of Series A convertible preferred stock at $1.00 per share. No subscriptions were issued during the same period in 2018.

Series A convertible preferred stock accrues an annual dividend of six percent until conversion, and is convertible, along with any accrued dividends, into common stock at a twenty-five percent discount to the selling price of the common stock in a qualified offering, as defined in the subscription agreement. In addition, the Company shall have the ability to force the conversion of preferred stock at such time the Company has a market capitalization in excess of $50 million for ten consecutive trading days. In such event, the conversion price shall be a 25% discount to the average closing price of the Company's common stock over the ten trading days prior to the Company's notice of its intent to convert.

In January 2018, all 500,000 shares of subscribed Series A convertible preferred stock were converted into 970,989 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. No shares were converted during the same period in 2017.

*Common Stock*

In January 2017, the Company increased the number of authorized shares of common stock from 100 million to 500 million shares.

In June 2017, the Company issued 75 million shares of common stock to acquire the remaining 49% interest in its subsidiary MariMed Advisors Inc.

During the six months ended June 30, 2018, the Company sold 10,111,578 shares of common stock at prices ranging from $0.50 to $1.37 per share, resulting in total proceeds of $8,461,000. During the same period in 2017, the Company sold 22,178,888 shares of common stock at prices of $0.18 and $0.25 per share, resulting in total proceeds of $5,200,000.

During the six months ended June 30, 2018 and 2017, the Company issued 1,313,901 and 498,543 shares of common stock, respectively for services rendered by third parties. The Company recorded non-cash losses of approximately $959,000 in 2018 and $18,000 in 2017, based on the market value of the common stock on the issuance dates.

*Common Stock Subscriptions*

In October 2017, the Company issued subscriptions on 1,000,000 shares of common stock as part of the purchase price of the Betty's Eddies™ acquired assets, as disclosed in Note 3. The common shares associated with these subscriptions were issued in June 2018.

During the six months ended June 30, 2018, the Company issued subscriptions on 264,317 shares of common stock to acquire iRollie LLC, as disclosed in Note 3. Also during this period, the Company issued (i) subscriptions on 32,083 shares of common stock for the exercise of a warrant, (ii) subscriptions on 2,001,641 shares of common stock to settle $1,951,600 of vendor invoices, where the number of subscriptions issued was determined using the fair value of the stock on the issuance date, and (iii) subscriptions on 9,281 shares of common stock, equivalent to an aggregate amount of $20,000, for the payment of rent for the months of May and June 2018 for a leased property in Massachusetts. No subscriptions on common stock were issued during the same period in 2017.

All of the subscriptions on common stock referred to above are reflected under the caption *Common Stock Subscriptions* within the current liabilities section of the Company's balance sheet.

*Membership Interests*

During the six months ended June 30, 2017, the Company issued 1,667 Class A membership units of Mari Holdings MD LLC, a majority-owned subsidiary, for $150,000. These units represented 0.33% ownership of this subsidiary at June 30, 2017. No membership units were issued during the six months ended June 30, 2018.

## NOTE 7 – STOCK OPTIONS

During the six months ended June 30, 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, vesting over a six-month period, and expiring between December 2020 and December 2022. The fair value of these options on grant date of approximately $458,000 was recorded as equity compensation during the six months ended June 30, 2018.

In May 2018, the Company granted options to purchase 200,000 shares of common stock to an employee at an exercise price of $0.90 per share, which expire in May 2023. As of June 30, 2018, the Company recorded approximately $36,000 of the total equity compensation on this grant of approximately $264,000 which shall be recorded over the six-month vesting period.

During the six months ended June 30, 2017, the Company granted options to purchase 100,000 shares of common stock to employees at exercise prices of $0.26 and $0.33, and expiring in March and April 2021. The fair value of these options on the grant date of approximately $19,000 was recorded as equity compensation over the respective vesting periods.

During the six months ended June 30, 2018, options to purchase 700,000 shares of common stock were exercised at exercise prices ranging from $0.08 to $0.63 per share. No options were exercised during the same period in 2017.

Options to purchase 300,000 shares of common stock were forfeited during the six-month period ended June 30, 2018. No options were forfeited during the same period in 2017.

Stock options outstanding and exercisable as of June 30, 2018 were:

| Exercise Price per Share | | Shares Under Option Outstanding | Shares Under Option Exercisable | Remaining Life in Years |
|---|---|---|---|---|
| $ | 0.080 | 250,000 | 250,000 | 0.58 |
| $ | 0.080 | 100,000 | 100,000 | 1.47 |
| $ | 0.130 | 200,000 | 200,000 | 2.00 |
| $ | 0.140 | 650,000 | 650,000 | 2.51 |
| $ | 0.150 | 1,000,000 | 1,000,000 | 1.25 |
| $ | 0.250 | 1,000,000 | 1,000,000 | 1.25 |
| $ | 0.260 | 50,000 | 50,000 | 2.76 |
| $ | 0.330 | 50,000 | 25,000 | 2.69 |
| $ | 0.350 | 1,000,000 | 1,000,000 | 1.25 |
| $ | 0.450 | 250,000 | 125,000 | 3.26 |
| $ | 0.550 | 100,000 | 100,000 | 2.25 |
| $ | 0.630 | 300,000 | 300,000 | 3.51 |
| $ | 0.770 | 300,000 | - | 4.51 |
| $ | 0.900 | 200,000 | - | 4.87 |
| | | 5,450,000 | 4,800,000 | |

**NOTE 8 – WARRANTS**

During the six months ended June 30, 2018 and 2017, the Company issued warrants to purchase 4,239,000 and 100,000 shares of common stock, respectively, expiring in February 2021 and March 2020, respectively, at exercise prices ranging from $0.30 to $2.25 per share. The Company recorded non-cash equity compensation of approximately $6,370,000 in 2018 and $19,000 in 2017 representing the estimated fair value of these instruments on the issuance dates.

During the six months ended June 30, 2018, warrants to purchase 1,425,379 shares of common stock were exercised, at exercise prices ranging from $0.10 and $0.50 per share. No warrants were exercised during the same period in 2017.

At June 30, 2018 and 2017, warrants to purchase 7,058,932 and 1,225,000 shares of common stock were outstanding, respectively, at exercise prices ranging between $0.10 and $2.25 per share.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

As disclosed in Note 3 above, the current CEO and CFO of the Company are part in the Sigal Ownership Group from whom Sigal Consulting LLC was acquired in May 2014. The 49% ownership in the Company's subsidiary, MariMed Advisors Inc., which the Sigal Ownership Group acquired as part of the purchase price, was acquired by the Company from the Sigal Ownership Group in June 2017 in exchange for 75 million shares of the Company's common stock.

In September 2017, the former CEO of the Company, who is a currently a board member, exercised options to purchase 4.5 million shares of common stock at an exercise price of $0.01 per share. The aggregate exercise price of $45,000 was paid in a cashless transaction with 90,000 shares of common stock which were classified as treasury stock.

In October 2017, the Company acquired the intellectual property, formulations, recipes, proprietary equipment, and know-how of the Betty's Eddies™ brand of cannabis-infused products, as disclosed in Note 3, from a company that is minority-owned by the Company's chief operating officer.

In December 2017, options to purchase 200,000 shares of commons stock at an exercise price of $0.025 were forfeited by the CEO and by an independent board member (100,000 shares forfeited by each individual).

During the six months ended June 30, 2018, a current board member exercised options to purchase 400,000 shares of common stock, and the former CFO of the Company exercised options to purchase 300,000 shares of common stock. These options were exercised at exercise prices ranging from $0.08 to $0.63 per share. No options were exercised during the same period in 2017.

During the six months ended June 30, 2018 and 2017, the Company issued 170,000 and 169,487 shares, respectively, of common stock for services rendered by the former CFO of the Company. Based on the market value of the common stock on the dates of the two issuances, the Company recorded non-cash losses of approximately $112,000 in 2018 and $18,000 in 2017.

At June 30, 2018 and December 31, 2017, the Company owed approximately $19,000 and $14,000 to the CEO and CFO, respectively.

The caption *Due from Related Parties* in the Company's financial statements is primarily comprised of short term loans to non-consolidated entities under common ownership.

The caption *Due to Related Parties* reflects short term loans from related parties and includes advances received from officers of the Company.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

An employment agreement with the former CEO of the Company that provided this individual with salary, car allowances, stock options, life insurance, and other employee benefits was terminated in 2017.

The Company recorded an accrual of approximately $1,043,000 at June 30, 2018 and December 31, 2017 for any amounts that may be owed under this agreement. However, the Company is contesting the validity this agreement.

**NOTE 11 – SEGMENT REPORTING**

In accordance with ASC 280, the following is information regarding the Company's operating segments:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| **Revenues:** | | |
| Online portal operations | $ — | $ 114 |
| Cannabis related operations | 5,020,275 | 2,771,662 |
| Consolidated revenues | $ 5,020,275 | $ 2,771,776 |
| **Depreciation:** | | |
| Online portal operations | $ — | $ — |
| Cannabis related operations | 253,713 | 163,410 |
| Depreciation | $ 253,713 | $ 163,410 |
| **Net income (loss):** | | |
| Online portal operations | $ (181) | $ (146,774) |
| Cannabis related operations | (1,831,210) | 760,965 |
| Net income (loss) | $ (8,110,391) | $ 614,191 |
| **Capital expenditures:** | | |
| Online portal operations | $ — | $ — |
| Cannabis related operations | 5,663,585 | 3,766,154 |
| Combined capital expenditures | $ 5,663,585 | $ 3,766,154 |
| **Assets:** | | |
| Online portal operations | $ 1,217 | $ 1,504 |
| Cannabis related operations | 45,439,399 | 15,349,925 |
| Combined assets | $ 45,440,616 | $ 15,351,429 |

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2018, the following events occurred:

- The Company sold 1,200,780 shares of common stock, at prices ranging from $0.90 to $2.70 per share, for an aggregate amount of $2,200,000.

- The Company issued warrants to purchase 544,500 shares of common stock at an exercise price of $4.20 per share.

- Warrant holders exercised warrants to purchase 232,083 shares of common stock at exercise prices of $0.10 and $0.40 per share.

- A board member was issued 302,000 shares of common stock from the exercise of stock options at exercise prices ranging from $0.08 to $0.63 per share. The aggregate number of shares exercised was 400,000, offset by 98,000 shares used to pay the aggregate exercise price of $98,000 in a cashless transaction.

- In August 2018, the Company made a payment of $250,000 pursuant to an exclusive worldwide licensing agreement for the production and distribution of precision-dosed, dissolvable cannabis products.

**Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations**

**Forward Looking Statements**

When used in this form 10-Q and in future filings by the Company with the Commission, the words or phrases such as "anticipate," "believe," "could," "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 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 laws and regulations that pertain to our products and operations; and increased competition.

The following discussion should be read in conjunction with the unaudited financial statements and related notes which are included under Item 1.

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

**Overview**

**General**

We are industry experts in the development, operation, management and optimization of cannabis cultivation, production, and dispensing facilities. Such facilities, located in multiple states, are leased to the Company's clients in the emerging cannabis industry. Our team acquires land and/or real estate for the purpose of developing state-of-the-art, regulatory-compliant legal cannabis facilities. These facilities are models of excellence in horticultural principals, cannabis production, product development, and dispensary operations. These facilities are leased to the Company's clients who are entities that have been awarded legal and medical marijuana licenses from multiple states. Along with this operational oversight, the Company provides its clients with legal, accounting, human resources, and other corporate and administrative services.

The Company also provides industry leading expertise and consultative services in all aspects of cannabis licensing procurement. To date, the Company has secured, on behalf of its clients, 11 cannabis licenses across five states—two in Delaware, two in Illinois, one in Nevada, three in Maryland and three in Massachusetts. Accordingly, we have operating facilities located in the cities of Wilmington and Lewes in Delaware; the cities of Anna and Harrisburg in Illinois; Clark county in Nevada; Arundel county and the city of Hagerstown in Maryland; and the cities of New Bedford, Norwood and Middleborough in Massachusetts. In total, we have developed in excess of 300,000 square feet of seed-to-sale cannabis facilities.

In addition to our cannabis facilities, we are on the forefront of the development of precision-dosed, cannabis-infused products. Our proprietary branded products are comprised of Kalm Fusion™, designed for the treatment of specific medical conditions and related symptoms, Betty's Eddies™, the recently acquired recreational-leaning brand of fruit chews, and Nature's Heritage™, the newest member of the MariMed family of brands, consisting of organic products created from the finest seed lineages which we believe are "The best cannabis Mother Earth has to offer®".

The Company also has exclusive sublicensing rights in certain states to distribute vaporizer pens developed by Lucid Mood™, as well as the clinically-tested medicinal cannabis strains developed in Israel by world-renowned Tikun Olam™. The Company continues to be committed to the licensing and distribution of branded cannabis products in states across the country and beyond.

As of this filing, we are contemplating a strategy to evolve the Company into a direct cultivator, producer, and dispenser of cannabis and cannabis-related products. Such a strategy would be executed via the securing of cannabis licenses for the benefit of the Company, acquiring or partnering with mature companies in the cannabis industry, and/or organic growth. While it is not certain at this time whether we will pursue such strategy, if implemented, we anticipate that it would occur by the end of fiscal 2019, and that the Company's revenues and operations would increase significantly.

In May 2014, the Company, through its subsidiary MariMed Advisors Inc. ("MMA"), acquired Sigal Consulting LLC from its members, two of whom are now the CEO and CFO of the Company, in exchange for (i) an aggregate amount of the Company's common stock equal to 50% of the Company's outstanding shares on the closing date; (ii) options to purchase three million shares of the Company's common stock, exercisable over five years with exercise prices ranging from $0.15 to $0.35, and (iii) a 49% ownership interest of MMA. In June 2017, the minority interest in MariMed Advisors Inc. was merged into the Company in exchange for 75 million shares of restricted common stock.

In May 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 entered into an exclusive global licensing agreement for the production and distribution rights in all existing and future legal cannabis markets of a proprietary technology that prints precision-dosed dissolvable cannabis products. This technology facilitates the production of multiple combinations of cannabinoids, terpenes, and nutrients , while avoiding fillers commonly found in cannabis and nutraceutical products, into a paper-thin, low-calorie, fast-absorbing product that is delivered sublingually, transdermally, or by drinking when dissolved in liquid. The process also allows for the printing of any graphic, such as a bar code or website address, on each product. These products transport easily and discreetly in purses, pockets, and wallets, and are produced at higher levels of efficiency than the current methods within the cannabis industry.

**Revenues**

Our revenues are comprised of the following primary categories:

Management – We receive fees for providing comprehensive oversight of our clients' entire cannabis cultivation, production, and dispensary operations. Along with this oversight, we provide human resources, legal, accounting, sales, marketing, and reporting services.

Real Estate – Our state-of-the-art, regulatory-compliant legal cannabis facilities are leased to our cannabis-licensed clients over 20-year lease terms. We generate rental income from occupancy, tenant improvements, equipment rentals, and additional rental income based on the success of the cannabis licensees.

Licensing – We derive licensing revenue from the sale by the licensees of our branded precision-dosed cannabis-infused products, such as Kalm Fusion™ and Betty's Eddies™, to legal dispensaries throughout the country.

Consulting – We assist third-parties in securing cannabis licenses, and provide advisory services in the areas of facility design and development, and cultivation and dispensing best practices

Supply Procurement – We have established large volume discounts with top national vendors of cultivation and production supplies and equipment, which we acquire and resell at competitive prices to our cannabis-licensed clients with a reasonable markup.

**Expenses**

We classify our expenses into three broad categories:

- cost of revenues, which includes the direct costs associated with the generation of our revenues, and depreciation expense on our properties and equipment;

- operating expenses, which include the sub-categories of personnel, marketing and promotion, and general and administrative; and

- non-operating expenses, which include the sub-categories of interest, non-cash equity compensation, and non-cash losses on debt settlements.

**Liquidity and Capital Resources**

During the six months ended June 30, 2018, we raised approximately $8.5 million from the issuance of common stock. In addition, capital of approximately $2.0 million was extended to us for building improvements on our New Bedford, MA property by the terms of the secured lender.

These funds will be used to fund Company operations, continue the development of our facilities, and expand our branded licensing business. We continue to pursue additional sources of capital in 2018, although there can be no assurance that any such capital will become available.

**RESULTS OF OPERATIONS**

*Three months ended June 30, 2018 compared to three months ended June 30, 2017*

Revenues for the three months ended June 30, 2017 increased 81.2% to approximately $2.9 million, compared with $1.6 million from the same period a year ago. This significant increase was primarily due to the growth of (i) rental income from our facilities in Maryland and Massachusetts which were fully developed and leased to tenants in late calendar 2017, (ii) supply procurement services provide to additional cannabis licensees in 2018, and (iii) management fees and additional rental revenue which we earn based on a percentage of revenue generated by our cannabis-licensed clients. For the three months ended June 30, 2018, the revenue generated by these clients increased 67.6% to approximately $4.6 million from approximately $2.7 million for the same period in 2017.

Cost of revenues increased from approximately $469,000 for the three months ended June 30, 2017 to approximately $913,000 for the three months ended June 30, 2018, and as a percentage of revenue, cost of revenues were 28.9% and 31.1%, respectively. The increase in this percentage is due to a higher level of cost associated with supply procurement and licensed products from year to year. Accordingly, gross profit as a percentage of revenue decreased from 71.1% for the three months ended June 30, 2017 to 68.9% for the three months ended June 30, 2018.

Personnel expense increased to approximately $285,000 for the three months ended June 30, 2018, which represented 9.7% of revenues, from approximately $137,000 for the same period a year ago, which represented and 8.4% of revenues. This increase was the result of increased staffing costs to support the higher level of revenues.

Marketing and promotion costs increased to approximately $77,000 for the three months ended June 30, 2018 from approximately $45,000 for the same period a year ago. This increase is due to our additional efforts to promote our services within the cannabis industry.

General and administrative costs increased to approximately to $815,000 for the three months ended June 30, 2018 from approximately $369,000 for the same period a year ago. This increase is primarily due to the operating costs and professional fees associated with our new active facilities in 2018.

Non-operating expenses for the three months ended June 30, 2018 primarily comprised of (i) interest expense on our mortgages and notes payable of approximately $286,000, offset by interest income on our note receivable of approximately $19,000, (ii) non-cash equity compensation of approximately $6.3 million arising from the issuance of stock options and warrants, and (iii) non-cash losses on the settlement of debt via the issuance of common stock and subscriptions on common stock of approximately $563,000. The two non-cash items, required by generally accepted accounting principles, had no effect on the operating earnings or liquidity of the Company. These non-cash items gave rise to the large year-over-year increase in non-operating costs. For the same period in 2017, net interest expense was approximately $96,000, and no options or warrants were issued.

As a result of the foregoing, we realized net income of approximately $505,000 for the three months ended June 30, 2017, compared with a net loss of approximately $6.3 million in 2018. The loss in the current period was due to the previously explained non-cash expenses which had no impact on the Company’s operating income or cash flow. Excluding these non-cash items, net income for the three months ended June 30, 2018 was approximately $575,000.

*Six months ended June 30, 2018 compared to six months ended June 30, 2017*

Revenues for the six months ended June 30, 2018 increased 81.1% to approximately $5.0 million, compared with $2.8 million from the same period a year ago. This significant increase was primarily due to the growth of (i) rental income from our facilities in Maryland and Massachusetts which were fully developed and leased to tenants in late calendar 2017, (ii) supply procurement services provide to additional cannabis licensees in 2018, and (iii) management fees and additional rental revenue which we earn based on a percentage of revenue generated by our cannabis-licensed clients. For the six months ended June 30, 2018, the revenue generated by these clients increased 62.6% to approximately $8.2 million from approximately $5.0 million for the same period in 2017.

Cost of revenues increased to approximately $1.8 million for the six months ended June 30, 2018 from approximately $940,000 for the six months ended June 30, 2017. As a percentage of revenue, cost of revenues for the six months ended June 30, 2018 increased to 35.9% from 33.9% for the same period in 2017. This increase was attributable to a higher level of cost associated with supply procurement and licensed products from year to year. Accordingly, gross profit as a percentage of revenue for the six months ended June 30, 2018 decreased to 64.13% from 66.1% for the same period in 2017.

Personnel expense increased to approximately $470,000 for the six months ended June 30, 2018 from $305,000 for the same period a year ago. Despite the increase in amount, which was the result of hiring additional staff to support the higher level of revenues, this expense decreased as a percentage of revenues to 9.4% in 2018 from 11.0% in 2017.

Marketing and promotion costs increased slightly to approximately $130,000 for the six months ended June 30, 2018 from approximately $115,000 for the same period a year ago. These costs decreased relative to the growth in revenues from year to year, representing 2.6% and 4.1% of revenues in 2018 and 2017, respectively.

General and administrative costs increased to approximately $1,521,000 for the six months ended June 30, 2018 from approximately $582,000 for the same period a year ago. This increase is predominantly due to the utilities, real estate taxes, security, and other cost associated with operating an increased number of active facilities, and is commensurate with the growth of revenues and the overall business.

Non-operating expenses comprised of (i) interest expense on our mortgages and notes payable of approximately $605,000, offset by interest income on our note receivable of approximately $39,000, (ii) non-cash equity compensation of approximately $6.9 million arising from the issuing of stock options and warrants, and (iii) non-cash losses on the settlement of debt via the issuance of common stock and subscriptions on common stock of approximately $1.8 million. The two non-cash items, required by generally accepted accounting principles, had no effect on the operating earnings or liquidity of the Company, and the cause for the large year-over-year variation in non-operating expenses. For the same period in 2017, net interest expense was approximately $178,000, and non-cash items approximated $38,000.

As a result of the foregoing, we incurred a net loss of approximately $8.1 million for the six months ended June 30, 2018, compared to net income of approximately $614,000 from the same period a year ago. The loss in the current period is due to the previously explained large non-cash expenses which had no impact on the Company's operating income or cash flow. Excluding these non-cash items, net income for the six months ended June 30, 2017 was approximately $530,000.

**Subsequent Events**

Subsequent to June 30, 2018, the following events occurred:

- The Company sold 1,200,780 shares of common stock, at prices ranging from $0.90 to $2.70 per share, for an aggregate amount of $2,200,000.

- The Company issued warrants to purchase544,500 shares of common stock at an exercise price of $4.20 per share.

- Warrant holders exercised warrants to purchase 232,083 shares of common stock at exercise prices of $0.10 and $0.40 per share.

- A board member was issued 302,000 shares of common stock from the exercise of stock options at exercise prices ranging from $0.08 to $0.63 per share. The aggregate number of shares exercised was 400,000, offset by 98,000 shares used to pay the aggregate exercise price of $98,000 in a cashless transaction.

- In August 2018, the Company made a payment of $250,000 pursuant to an exclusive worldwide licensing agreement for the production and distribution of precision-dosed, dissolvable cannabis products.

**Item 4. Controls and Procedures**

As of June 30, 2018, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2018. The above statement notwithstanding, you are cautioned that no system is foolproof.

<u>Changes in Internal Control Over Financial Reporting</u>

During the quarter covered by this report there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's reports in this quarterly report.

**PART II OTHER INFORMATION**

Item 1. Legal Proceedings.

Item 1A. Risk Factors

We are not obligated to disclose our risk factors in this report, however, limited information regarding our risk factors appears in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q. and in "Item 1A. RISK FACTORS" of our Annual Report on Form 10-K. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six months ended June 30, 2018, the Company sold 10,111,578 shares of restricted common stock at prices ranging from $0.50 to $1.37 per share, resulting in total proceeds of approximately $8.5 million. These funds will be used to fund Company operations, continue the development of our facilities, and expand our branded licensing business.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

| | |
|---|---|
| 3.1 | Certificate of Incorporation of the Registrant. Incorporated by reference from Registration Statement on Form 10-12G (File No. 000-54433) filed on June 9, 2011. |
| 3.1.1 | Amended Certificate of Incorporation of the Registrant. Incorporated by reference from Annual Report on Form 10-K filed on April 17, 2017. |
| 3.2 | Bylaws – Restated as Amended. Incorporated by reference from Registration Statement on Form 10-12G (File No. 000-54433) filed on June 9, 2011. |
| 31.1 | Certification of Chief Executive Officer |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 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 |

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned thereto duly authorized.

Date: August 14, 2018

**MARIMED INC.**

By: *`/s/ Robert Fireman`*
Robert Fireman
President and Chief Executive Officer

By: *`/s/ Jon R. Levine`*
Jon R. Levine
Chief Financial Officer

**INDEX TO EXHIBITS**

| Exhibit No. | Description |
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| 101.DEF* XBRL | Taxonomy Extension Definition Linkbase |
| 101.LAB* XBRL | Taxonomy Extension Label Linkbase |
| 101.PRE* XBRL | Taxonomy Extension Presentation Linkbase |

**EXHIBIT 31.1**

Certifications

I, Robert Fireman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 14, 2018

*/s/ Robert Fireman*

Robert Fireman
Chief Executive Officer

**EXHIBIT 31.2**

Certifications

I, Jon R. Levine, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 14, 2018

*/s/ Jon R. Levine*
Jon R. Levine
Chief 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 Quarterly Report of MariMed Inc. (the "Company") on Form 10-Q for the three and six months ended June 30, 2018 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: August 14, 2018

By: */s/ Robert Fireman*
Robert Fireman
Chief 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 Quarterly Report of MariMed Inc. (the "Company") on Form 10-Q for the three and six months ended June 30, 2018 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: August 14, 2018

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