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

**FORM 10-Q**

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

**For the Quarterly Period ended June 30, 2020**

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**

(State or Other Jurisdiction of  
Incorporation or Organization)

**27-4672745**

(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: None.

Title of each class  
Not Applicable.

Ticker symbol(s)  
Not Applicable.

Name of each exchange on which registered  
Not Applicable.

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  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  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.

Large Accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
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

As of August 10, 2020, 276,696,552 shares of the registrant's common stock were outstanding.

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MariMed Inc.  
Condensed Consolidated Balance Sheets

	June 30, 2020 <i>(Unaudited)</i>	December 31, 2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,339,610	\$ 738,688
Accounts receivable, net	2,873,505	1,669,139
Deferred rents receivable	1,990,289	1,796,825
Due from third parties, net	198,680	-
Notes receivable, current portion	316,936	311,149
Inventory	3,905,963	1,219,429
Investments	785,285	1,449,144
Other current assets	209,101	192,368
<b>Total current assets</b>	<b>12,619,369</b>	<b>7,376,742</b>
Property and equipment, net	44,622,081	42,792,369
Intangibles, net	2,452,134	2,364,042
Investments	1,034,017	1,324,661
Notes receivable, less current portion	1,309,729	1,639,496
Right-of-use assets under operating leases	5,514,031	5,787,423
Right-of-use assets under finance leases	94,761	111,103
Other assets	185,905	175,905
<b>Total assets</b>	<b>\$ 67,832,027</b>	<b>\$ 61,571,741</b>
<b>Liabilities, mezzanine equity, and stockholders' equity (deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 4,586,897	\$ 4,719,069
Accrued expenses	3,002,216	5,395,996
Notes payable, current portion	17,210,101	23,112,742
Mortgages payable, current portion	1,166,259	223,888
Debentures payable, current portion	4,476,667	-
Operating lease liabilities, current portion	988,305	917,444
Finance lease liabilities, current portion	38,412	38,412
Due to related parties	1,391,309	1,454,713
Other current liabilities	1,254,412	858,176
<b>Total current liabilities</b>	<b>34,114,578</b>	<b>36,720,440</b>
Notes payable, less current portion	11,190,177	-
Mortgages payable, less current portion	6,965,319	7,112,842
Debentures payable, less current portion	-	5,835,212
Operating lease liabilities, less current portion	5,106,204	5,399,414
Finance lease liabilities, less current portion	60,240	75,413
Other liabilities	100,200	100,200
<b>Total liabilities</b>	<b>57,536,718</b>	<b>55,243,521</b>
<b>Mezzanine equity:</b>		
Series B convertible preferred stock, \$0.001 par value; 4,908,333 and zero shares authorized, issued and outstanding at June 30, 2020 and December 31, 2019, respectively	14,725,000	-
<b>Stockholders' equity (deficit):</b>		
Series A convertible preferred stock, \$0.001 par value; zero and 50,000,000 shares authorized at June 30, 2020 and December 31, 2019, respectively; zero shares issued and outstanding at June 30, 2020 and December 31, 2019	-	-
No designation preferred stock, \$0.001 par value; 45,091,667 and zero shares authorized at June 30, 2020 and December 31, 2019, respectively; zero shares issued and outstanding at June 30, 2020 and December 31, 2019	-	-
Common stock, \$0.001 par value; 500,000,000 shares authorized at June 30, 2020 and December 31, 2019; 271,479,247 and 228,408,024 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	271,479	228,408
Common stock subscribed but not issued; 34,171 and 3,236,857 shares at June 30, 2020 and December 31, 2019, respectively	5,365	1,168,074
Additional paid-in capital	106,253,357	112,245,730
Accumulated deficit	(110,396,008)	(106,760,527)
Noncontrolling interests	(563,884)	(553,465)
<b>Total stockholders' equity (deficit)</b>	<b>(4,429,691)</b>	<b>6,328,220</b>
<b>Total liabilities, mezzanine equity, and stockholders' equity (deficit)</b>	<b>\$ 67,832,027</b>	<b>\$ 61,571,741</b>

*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,	
	2020	2019	2020	2019
Revenues	\$ 9,610,306	\$ 3,657,798	\$ 17,076,325	\$ 7,173,614
Revenues from related party	-	22,014,878	-	22,014,878
Total revenues	<u>9,610,306</u>	<u>25,672,676</u>	<u>17,076,325</u>	<u>29,188,492</u>
Cost of revenues	<u>3,452,169</u>	<u>16,745,553</u>	<u>6,050,086</u>	<u>18,000,343</u>
Gross profit	6,158,137	8,927,123	11,026,239	11,188,149
Operating expenses:				
Personnel	1,207,141	825,130	2,720,524	1,498,504
Marketing and promotion	65,618	76,060	178,002	194,959
General and administrative	2,336,102	2,676,454	4,584,037	4,357,476
Bad debts	450,000	-	450,000	-
Total operating expenses	<u>4,058,861</u>	<u>3,577,644</u>	<u>7,932,563</u>	<u>6,050,939</u>
Operating income	2,099,276	5,349,479	3,093,676	5,137,210
Non-operating income (expenses):				
Interest expense	(2,969,191)	(2,619,460)	(5,660,336)	(4,560,007)
Interest income	40,863	64,345	86,894	346,754
Loss on obligations settled with equity	(44,678)	-	(44,678)	-
Equity in earnings of investments	(32,958)	(45,465)	(32,958)	1,912,942
Change in fair value of investments	(234,544)	-	(921,546)	-
Other	-	2,948,917	-	2,948,917
Total non-operating income (expenses), net	<u>(3,240,508)</u>	<u>348,337</u>	<u>(6,572,624)</u>	<u>648,606</u>
Income (loss) before income taxes	(1,141,232)	5,697,816	(3,478,948)	5,785,816
Provision for income taxes	-	974,584	-	984,595
Net income (loss)	<u>\$ (1,141,232)</u>	<u>\$ 4,723,232</u>	<u>\$ (3,478,948)</u>	<u>\$ 4,801,221</u>
Net income (loss) attributable to noncontrolling interests	<u>\$ 72,805</u>	<u>\$ 46,147</u>	<u>\$ 156,533</u>	<u>\$ 147,346</u>
Net income (loss) attributable to MariMed Inc.	<u>\$ (1,214,037)</u>	<u>\$ 4,677,085</u>	<u>\$ (3,635,481)</u>	<u>\$ 4,653,875</u>
Net income (loss) per share				
Basic	<u>\$ (0.00)</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Diluted	<u>\$ (0.00)</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Weighted average common shares outstanding				
Basic	<u>247,990,403</u>	<u>213,319,149</u>	<u>240,664,873</u>	<u>211,510,986</u>
Diluted	<u>247,990,403</u>	<u>232,828,964</u>	<u>240,664,873</u>	<u>231,020,801</u>

*See accompanying notes to condensed consolidated financial statements.*

MariMed Inc.  
Condensed Consolidated Statements of Stockholders' Equity (Deficit)  
(Unaudited)

	Common Stock		Common Stock Subscribed But Not Issued		Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Par Value	Shares	Amount				
Balances at 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	799,995	800	-	-	2,599,200	-	-	2,600,000
Issuance of subscribed shares	97,136	97	(97,136)	(169,123)	169,026	-	-	-
MediTaurus acquisition	-	-	752,260	2,080,000	-	-	1,200,000	3,280,000
Terrace investment	500,000	500	-	-	1,589,500	-	-	1,590,000
Harvest payment	1,000,000	1,000	-	-	(1,000)	-	-	-
Exercise of options	358,446	359	-	-	12,641	-	-	13,000
Exercise of warrants	666,104	666	-	-	601,776	-	-	602,442
Amortization of option and warrant issuances	-	-	-	-	2,458,941	-	-	2,458,941
Beneficial conversion feature on debentures	-	-	-	-	3,384,980	-	-	3,384,980
Conversion of debentures payable	1,156,379	1,156	-	-	2,626,601	-	-	2,627,754
Distributions	-	-	-	-	-	-	(297,369)	(297,369)
Net income (loss)	-	-	-	-	-	4,653,875	147,346	4,801,221
Balances at June 30, 2019	215,591,103	\$ 215,591	752,260	\$ 2,080,000	\$ 100,621,830	\$ (20,921,933)	\$ 829,945	\$ 82,825,433

	Common Stock		Common Stock Subscribed But Not Issued		Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interests	Total Stockholders' Equity (Deficit)
	Shares	Par Value	Shares	Amount				
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
Issuance of subscribed shares	3,236,857	3,237	(3,236,857)	(1,168,074)	1,164,837	-	-	-
Stock grants	30,307	30	34,171	5,365	5,335	-	-	10,730
Amortization of option grants	-	-	-	-	556,379	-	-	556,379
Issuance of warrants attached to debt	-	-	-	-	65,931	-	-	65,931
Discount on debentures payable	-	-	-	-	28,021	-	-	28,021
Beneficial conversion feature on debentures payable	-	-	-	-	379,183	-	-	379,183
Conversion of debentures payable	35,886,796	35,887	-	-	4,981,208	-	-	5,017,095
Conversion of common stock to preferred stock	(4,908,333)	(4,908)	-	-	(14,720,092)	-	-	(14,725,000)
Conversion of promissory note	2,525,596	2,525	-	-	457,525	-	-	460,050
Extinguishment of promissory note	1,900,000	1,900	-	-	350,100	-	-	352,000
Common stock issued to settle obligations	4,400,000	4,400	-	-	739,200	-	-	743,600
Distributions	-	-	-	-	-	-	(166,952)	(166,952)
Net income (loss)	-	-	-	-	-	(3,635,481)	156,533	(3,478,948)
Balances at June 30, 2020	271,479,247	\$ 271,479	34,171	\$ 5,365	\$ 106,253,357	\$ (110,396,008)	\$ (563,884)	\$ (4,429,691)

*The above statements do not show columns for Series A convertible preferred stock and undesignated preferred stock as the balances were zero and there was no activity in the periods presented.  
See accompanying notes to condensed consolidated financial statements.*

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

	Six Months Ended June 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net income (loss) attributable to MariMed Inc.	\$ (3,635,481)	\$ 4,653,875
Net income (loss) attributable to noncontrolling interests	156,533	147,346
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	907,285	448,935
Amortization of intangibles	166,908	107,917
Amortization of stock grants	10,730	-
Amortization of option grants	556,379	929,597
Amortization of warrants attached to debt	498,694	1,014,379
Amortization of beneficial conversion feature	2,170,401	2,281,687
Amortization of original issue discount	241,613	28,920
Bad debt expense	450,000	-
Loss on obligations settled with equity	44,678	-
Equity in earnings of investments	32,958	(1,912,941)
Change in fair value of investments	921,546	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,654,366)	(3,279,717)
Accounts receivable from related party, net	-	(25,177,845)
Deferred rents receivable	(193,464)	48,470
Due from third parties	(198,680)	141,783
Inventory	(2,686,534)	(4,263,846)
Other current assets	(16,733)	48,823
Other assets	(10,000)	(262,981)
Accounts payable	566,749	(1,746,067)
Accrued expenses	1,759,330	1,652,508
Deferred rents payable	-	(105,901)
Operating lease payments	51,043	267,253
Finance lease interest payments	4,033	(1,824)
Unearned revenue from related party	-	3,162,967
Other current liabilities	396,236	-
Other liabilities	-	(238,000)
Net cash provided by (used in) operating activities	<u>539,858</u>	<u>(22,054,662)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,720,655)	(3,946,208)
Purchase of cannabis licenses	(255,000)	-
Investment in notes receivable	-	(1,550,000)
Interest on notes receivable	406,670	117,006
MediTaurus acquisition	-	(171,003)
Due from related parties	-	119,781
Net cash used in investing activities	<u>(2,568,985)</u>	<u>(5,430,424)</u>
<b>Cash flows from financing activities:</b>		
Issuance of common stock	-	2,600,000
Issuance of promissory notes	5,249,763	17,000,000
Repayments of promissory notes	(3,100,000)	-
Proceeds from issuance of debentures	935,000	7,275,000
Proceeds from mortgages	907,200	-
Payments on mortgages	(112,352)	(79,012)
Exercise of stock options	-	13,000
Exercise of warrants	-	602,442
Due to related parties	(63,404)	(199,154)
Finance lease principal payments	(19,206)	(3,923)
Distributions	(166,952)	(297,369)
Net cash provided by financing activities	<u>3,630,049</u>	<u>26,910,984</u>
Net change to cash and cash equivalents	1,600,922	(574,102)
Cash and cash equivalents at beginning of period	738,688	4,104,315
Cash and cash equivalents at end of period	<u>\$ 2,339,610</u>	<u>\$ 3,530,213</u>

**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$ 703,571	\$ 787,028
Cash paid for income taxes	\$ 13,000	\$ 10,011

**Non-cash activities:**

Conversions of debentures payable	\$ 5,017,095	\$ 2,626,759
Beneficial conversion feature on debentures payable	\$ 379,183	\$ 3,384,980
Discount on debentures payable	\$ 28,021	\$ 928,724
Issuance of common stock associated with subscriptions	\$ 1,168,074	\$ 169,123
Discount on promissory notes	\$ 65,931	\$ 600,621
Conversion of promissory notes	\$ 460,050	\$ -

Extinguishment of promissory note	\$ 352,000	\$ -
Common stock issued to settle obligations	\$ 698,922	\$ -
Exchange of common stock to preferred stock	\$ 14,725,000	\$ -
Conversion of accrued interest to promissory note	\$ 3,908,654	\$ -
Conversion of debentures receivable to investment	\$ -	\$ 30,000,000
Operating lease right-of-use assets and liabilities	\$ -	\$ 6,981,772
Finance lease right-of-use assets and liabilities	\$ -	\$ 77,773
Conversion of notes receivable to investment	\$ -	\$ 257,687
Conversion of advances to notes receivable	\$ -	\$ 855,913
MediTaurus acquisition	\$ -	\$ 2,500,000
Terrace investment	\$ -	\$ 1,590,000
Harvest payment	\$ -	\$ 1,000

*See accompanying notes to condensed consolidated financial statements.*

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

MariMed Inc. (the “Company”) is a multi-state operator in the 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.

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 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. Since this time, the Company successfully secured 19 cannabis licenses across six states—two in Delaware, five in Illinois, three in Maryland, six in Massachusetts, two in Nevada, and one in Rhode Island.

The Company has demonstrated an excellent track record developing and operating licensed cannabis facilities, and implementing its proprietary operating procedures and industry best practices. In 2018, the Company commenced a strategic plan to transition from an advisory business 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 located in five states—Delaware, Illinois, Maryland, Massachusetts, and Nevada—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 investment 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, and a reflection of 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, and establishes the Company as a fully integrated seed-to-sale multi-state operator. The acquisitions of the remaining entities located in Delaware, Maryland, and Nevada are at various stages of completion and subject to each state’s laws governing the ownership and transfer of cannabis licenses, which in the case of Delaware requires a modification of current cannabis ownership laws to permit for-profit ownership. However, the Company continues to develop additional revenue and business in these states and plans to leverage its success to expand into other markets where cannabis is and becomes legal.

The Company has also created its own brands of cannabis flower, concentrates, and precision-dosed products utilizing proprietary strains and formulations. 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 the Binske® line of cannabis products crafted from premium artisan ingredients, the Healer™ line of medical full-spectrum tinctures, 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"), the Company established a wholly owned subsidiary, MariMed Hemp Inc. ("MariMed Hemp"), to market and distribute hemp-derived CBD products across several vertical markets. Prior to this, as a means of expanding into the global CBD market, the Company acquired a majority interest of MediTaurus LLC ("MediTaurus"), an entity operating in the United States and Europe that has developed proprietary CBD formulations under its Florance™ brand.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The spread of the virus in the United States and the measures implemented to contain it—including business shutdowns, indoor capacity restrictions, social distancing, and diminished travel—have negatively impacted the economy and have created significant volatility and disruption in financial markets. Consequently, the Company's expansion efforts and implementation of its strategic plan have been delayed. Additionally, while the cannabis industry has been deemed an essential business and is not expected to suffer severe declines in revenue, the Company's business, operations, financial condition, and liquidity have been adversely affected, as further discussed in the notes to the financial statements included in this report.

Continued disruption to the global economy may materially and adversely affect the future carrying values of certain of the Company's assets, including inventories, accounts receivables, and intangibles, as well as negatively impact the Company's ability to raise working capital to support its operations. The full extent to which COVID-19 and the measures to contain it will impact the Company's business, operations financial condition, and liquidity will depend on the continued severity and duration of the COVID-19 outbreak and other future developments in response to the virus, all of which are highly uncertain at this time. As a result, the Company cannot predict the ultimate impact of COVID-19 on its operational and financial performance.

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.

## 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, interim financial statements are not required to contain all of the disclosures normally required in annual financial statements. In addition, the results of operations of interim periods may not necessarily be 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 most recent audited annual financial statements and accompanying notes for the year ended December 31, 2019.

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 six months ended June 30, 2020, the Company’s management evaluated the Company’s ability to continue as a going concern in accordance with 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 indicate 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 the Company’s consolidation plan, the impact of the COVID-19 pandemic on its operations, developments concerning GenCanna’s bankruptcy proceedings, recent cannabis industry investment activity, price movements of public cannabis stock, actions and/or results of certain bellwether cannabis companies, the level of cannabis investor confidence, and changes to state laws governing recreational (adult-use) and medical cannabis.

At June 30, 2020, the Company’s negative working capital improved to approximately \$21.5 million from approximately \$29.3 million at December 31, 2019. In addition, during the six months ended June 30, 2020, the Company’s operating activities provided positive cash flow of approximately \$540,000, compared to approximately \$22.1 million of negative cash flow used by such activities during the same period of 2019. For further discussion of the Company’s liquidity and capital resources, please refer to Item 2. *Management’s Discussion and Analysis of Financial Condition and Results of Operations* of this Form 10-Q for the period ended June 30, 2020.

Subsequent to the balance sheet date, the Company refinanced the mortgage agreement secured by its Massachusetts real estate, replacing a mortgage with a remaining principal balance of approximately \$4.8 million (the “Initial Mortgage”) with a \$13.0 million mortgage bearing interest at a rate of 6.5% per annum that matures in August 2025. After paying off the Initial Mortgage, the Company retired approximately \$7.3 million of outstanding short-term debt that bore interest at a weighted-average rate of 5% per annum.

With respect to the Company's consolidation plan, the operations of the acquired entities in Illinois and Massachusetts have started to generate considerable liquidity and working capital for the Company. Since their acquisition in October 2019, the KPGs in Illinois have generated in excess of \$2.8 million of pretax income for the Company, in part due to the legalization of adult-use cannabis in January 2020. Additionally, the KPGs have added a third dispensary in Mt. Vernon which is completing requirements to begin operations. In Massachusetts, the cultivation and production facility acquired by the Company in December 2018 has ramped up its medical grow capabilities to full capacity. Additionally, the Massachusetts Cannabis Control Commission (the "MCCC") has given the Company final approval for adult-use cannabis production and sales. The MCCC will perform a final inspection, which the Company expects will occur in September 2020, in order for the Company to commence business in this state's robust adult-use market.

As of the filing date of this report, the Company has hired an investment banking and advisory firm to explore additional opportunities to raise capital, although there is no assurance that a financing transaction will be consummated.

In light of the aforementioned disclosures, among other factors reviewed as part of management's evaluation, there is a substantial doubt that the Company will be able to continue as a going concern 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 an allowance for doubtful accounts of approximately \$40.1 million and \$39.7 million at June 30, 2020 and December 31, 2019, respectively. Please refer to Note 16 –*Bad Debts* for further discussion on receivable reserves.

### 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™, Nature's Heritage™, 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. In 2019, the Company commenced (i) the direct sale of acquired hemp seed inventory in the second quarter, and (ii) cannabis dispensary and wholesale operations of ARL in Massachusetts and the KPGs in Illinois in the fourth quarter. Future product sales are expected to include the distribution of Company-acquired and developed hemp-derived CBD product lines, and the Company's planned cannabis-licensee acquisitions in Maryland, Nevada, and Delaware (upon this state's amendment to permit for-profit ownership of cannabis entities). 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 six months ended June 30, 2020 and 2019, based on the results of management's 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, or (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 six month ended June 30, 2020 and 2019.

	Six Months Ended June 30,	
	2020	2019
Life of instrument	3.0 years	3.0 years
Volatility factors	1.059 to 1.180	1.059 to 1.106
Risk-free interest rates	0.33% to 1.33%	1.76% to 2.28%
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 six months ended June 30, 2020 and 2019.

### 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.

At June 30, 2020 and 2019, there were 19,515,857 and 18,655,107, respectively, of potentially dilutive securities in the form of outstanding options and warrants. Also as of such dates, there were (i) \$6.3 million and \$13.75 million, respectively, of outstanding convertible debentures payable, (ii) 4,908,333 and zero shares, respectively, of Series B convertible preferred stock outstanding, and (iii) approximately \$5.2 million and \$350,000, respectively, of outstanding convertible promissory notes. All of these potentially dilutive securities are convertible into common stock based on either (i) a predetermined price, subject to adjustment, or (ii) the market value of common stock on or about the future conversion date.

For the three and six months ended June 30, 2020, 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. Such potentially dilutive securities may dilute earnings per share in the future. For the three and six months ended June 30, 2019, the potentially dilutive securities then outstanding were convertible into 19,509,815 shares of common stock, utilizing the June 30, 2019 closing stock price of the Company's common stock. Such share amount was included in the number of weighted average common shares outstanding on a diluted basis, and in the calculation of diluted net income per share for these periods, as shown in the statement of operations.

### 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

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



**NOTE 3 – ACQUISITIONS**

*KPG of Anna LLC and KPG of Harrisburg LLC*

Effective October 1, 2019, the Illinois Department of Financial and Professional Regulation approved the Company's acquisition of (i) 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"), and (ii) the 40% ownership interests not already owned by the Company of Mari Holdings IL LLC, the Company's subsidiary which owns the real estate in which the KPGs' dispensaries are located ("Mari-IL"). On such date, 1,000,000 shares of the Company's common stock, representing the entire purchase price, were issued to the sellers of the KPGs and Mari-IL, and these entities became wholly-owned subsidiaries of the Company.

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	\$	<u>915,000</u>

Based on an impairment analysis performed shortly before the filing date of this report, the Company determined the intangibles of approximately \$2.1 million arising from this transaction were not impaired.

#### The Harvest Foundation LLC

In August 2019, the Company entered into a purchase agreement to acquire 100% of the ownership interests of The Harvest Foundation LLC (“Harvest”), the Company’s cannabis-licensed client in the state of Nevada. The 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.

#### 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 March 2021.

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.

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, and both parties commencing legal proceedings which are pending in the Circuit Court for Washington County, Maryland. For further information, see Note 18 – *Commitments and Contingencies* and 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. The purchase price 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 parties are currently in negotiations regarding the Company’s acquisition of the remaining 30% of MediTaurus.

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 due to the impact of the COVID-19 pandemic on MediTaurus’ business.

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 \$8.0 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 June 30, 2020 and December 31, 2019, the Company's investments were comprised of the following:

	June 30, 2020	December 31, 2019
<b>Current investments:</b>		
Terrace Inc.	\$ 785,285	\$ 1,449,144
<b>Total current investments</b>	<b>785,285</b>	<b>1,449,144</b>
<b>Non-current investments:</b>		
MembersRSVP LLC	1,034,017	1,066,975
Chooze Corp.	-	257,686
GenCanna Global Inc.	-	-
Iconic Ventures Inc.	-	-
<b>Total non-current investments</b>	<b>1,034,017</b>	<b>1,324,661</b>
<b>Total investments</b>	<b>\$ 1,819,302</b>	<b>\$ 2,773,805</b>

##### 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 June 30, 2020, the carrying amount of this investment approximated \$785,000, based on its publicly traded stock price on such date, which required the Company to record a charge to net income of approximately \$664,000 for the six month then ended that is reflected under *Change In Fair Value Of Investments* on the statement of operations.

##### MembersRSVP 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 MembersRSVP LLC ("MRSVP"), an entity that has developed a customer relationship management and marketing platform, branded under the name Sprout, that is designed for and licensed to companies in the cannabis industry.

The investment is accounted under the equity method. During the six months ended June 30, 2020 and 2019, the Company recorded a charge of approximately \$3,000 and \$92,000, respectively, based on the Company's equity in MRSVP's net loss during such periods. Since the inception of the investment, the Company has recorded cumulative equity in net losses of approximately \$181,000, reducing the carrying value of the investment to approximately \$1,034,000 at June 30, 2020.

#### Chooze Corp.

In January 2019, the entire principal and accrued interest balance of a note receivable from Chooze Corp. of approximately \$58,000 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. Accordingly, the investment was carried at its cost until June 2020 when the investment was fully reserved due to the Company's determination that the investment was impaired. This reserve of approximately \$258,000 is reflected under *Change In Fair Value Of Investments* on the statement of operations.

#### 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 through the conversion date of approximately \$229,000, 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. At conversion, the Company commenced accounting for this investment under the equity method.

In late January 2020, an involuntary bankruptcy proceeding under Chapter 11 was filed against GenCanna USA, GenCanna's wholly-owned operating subsidiary, with the U.S. Bankruptcy Court in the Eastern District of Kentucky (the "Bankruptcy Court"). In the months leading up to the filing, GenCanna had faced several challenges including defaults under its senior credit facility with MGG Investment Group LP ("MGG"), a fire at its main processing and lab facility, the domestic decline of CBD selling prices, and the contraction of the cannabis capital markets. On February 6, 2020, GenCanna USA, under pressure from certain of its creditors and MGG, agreed to convert the involuntary bankruptcy proceeding into a voluntary Chapter 11 proceeding. In addition, GenCanna and GenCanna USA's subsidiary, Hemp Kentucky LLC (collectively with GenCanna and GenCanna USA, the "GenCanna Debtors"), filed voluntary petitions under Chapter 11 in the Bankruptcy Court. As a result, the Company recorded a charge to net income of approximately \$30.2 million in December 2019, which reduced the carrying value of this investment to zero.

On February 18, 2020, the GenCanna Debtors sought permission from the Bankruptcy Court to sell all or substantially all of their assets. After the entry of various orders to establish the bidding procedures and criteria for such sale, the GenCanna Debtors received only four proposals (including a credit bid from MGG) for the purchase of the GenCanna Debtors' assets and a single proposal for a plan of reorganization which was submitted by the Company.

On May 19, 2020, after an abbreviated solicitation/bid/sale process, the Bankruptcy Court, over numerous objections by creditors and shareholders of the GenCanna Debtors which included the Company, entered an order authorizing the sale of all or substantially all of the assets of the GenCanna Debtors to MGG for its credit bid in the amount of \$73.5 million and cash in the amount of \$3.5 million.

Based on recent filings with the Bankruptcy Court, the GenCanna Debtors are proposing to file a liquidating plan of reorganization to collect various prepetition payments and commercial claims against third parties, liquidate the remaining assets of the GenCanna Debtors, and make payments to creditors. The Company and the unsecured creditors committee are exploring options including litigation against MGG for lender liability, equitable subordination, and return of preference. In connection with this liquidation process, the Company has filed its proofs of claim for the \$33.2 million of hemp seeds sold to GenCanna, which transaction is further discussed in Note 17 –*Related Party Transactions*.

#### 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. 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 2019, the Company wrote off the investment after an impairment review that considered the viability of the entity in light of the current economic climate.

#### 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 June 30, 2020.

## 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.

During the reporting periods, the Company leased to third parties 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.

During the reporting periods, the Company subleased to a third party 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 triple net lease expiring in 2021 with a five-year option to extend.

As of June 30, 2020 and December 31, 2019, cumulative fixed rental receipts under such leases approximated \$1.7 million and \$9.5 million, respectively, compared to revenue recognized on a straight-line basis of approximately \$13.7 million and \$11.3 million. Accordingly, the deferred rents receivable balances at June 30, 2020 and December 31, 2019 approximated \$2.0 million and \$1.8 million, respectively.

Future minimum rental receipts for non-cancelable leases and subleases as of June 30, 2020 were:

2020	\$	3,358,368
2021		4,667,497
2022		4,590,656
2023		4,292,769
2024		4,348,027
Thereafter		43,995,612
Total	\$	<u>65,252,929</u>

**NOTE 6 – NOTES RECEIVABLE**

At June 30, 2020 and December 31, 2019, notes receivable were comprised of the following:

	June 30, 2020	December 31, 2019
First State Compassion Center	\$ 499,028	\$ 527,261
Healer LLC	872,715	846,985
High Fidelity Inc.	254,922	252,873
Maryland Health & Wellness Center Inc.	-	323,526
Atalo Holdings Inc.	-	-
Total notes receivable	<u>1,626,665</u>	<u>1,950,645</u>
Notes receivable, current portion	<u>316,936</u>	<u>311,149</u>
Notes receivable, less current portion	<u>\$ 1,309,729</u>	<u>\$ 1,639,496</u>

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 2.5% per annum. The monthly payments of approximately \$10,100 will continue through April 2026, at which time the note will become due. At June 30, 2020 and December 31, 2019, the current portion of this note was approximately \$62,000 and \$58,000, respectively, and is included in *Notes Receivable, Current Portion* on the respective balance sheets.

From August 2018 to June 2019, the Company loaned an aggregate of \$800,000 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. 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 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 maturity in August 2020. The parties are currently in discussions to extend the maturity date for an additional six months.

In January 2019, the Company provided Maryland Health & Wellness Center Inc. (“MHWC”), an entity that has been pre-approved by the state of Maryland for a cannabis dispensing license, with a \$300,000 construction loan bearing interest at a rate of 8% per annum. In June 2020, MHWC repaid the principal and accrued interest thereon, at which time the parties agreed to terminate their business relationship and release each other from all other previously executed agreements.

From May 2019 to July 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 initially bore interest at 6% per annum and matured in April 2020. The Company wrote off the entire carrying value of the Atalo note receivable balance as of December 2019, based upon the expectation that Atalo would be critically impacted by the COVID-19 pandemic. In 2020, Atalo filed for bankruptcy.

**NOTE 7 – INVENTORY**

At June 30, 2020 and December 31, 2019, inventory was comprised of approximately \$203,000 and \$226,000, respectively, of CBD isolate and hemp extract, and approximately \$3,702,000 and \$994,000 of work-in-process and finished cannabis and CBD products.

**NOTE 8 – PROPERTY AND EQUIPMENT**

At June 30, 2020 and December 31, 2019, property and equipment consisted of the following:

	June 30, 2020	December 31, 2019
Land	\$ 3,988,810	\$ 3,887,710
Buildings and building improvements	27,246,070	27,063,235
Tenant improvements	8,293,370	7,762,991
Furniture and fixtures	401,710	299,645
Machinery and equipment	4,329,284	4,086,691
Construction in progress	4,389,623	2,827,940
	<u>48,648,867</u>	<u>45,928,212</u>
Less: accumulated depreciation	(4,026,786)	(3,135,843)
Property and equipment, net	<u>\$ 44,622,081</u>	<u>\$ 42,792,369</u>

During the six months ended June 30, 2020 and 2019, additions to property and equipment were approximately \$2.7 million and \$3.9 million, respectively.

Additions during the six months ended June 30, 2020 consisted primarily of (i) the commencement of construction in Mt. Vernon, IL, and (ii) machinery and equipment purchases for facilities in Massachusetts, Maryland, Illinois, and Delaware. Additions during the six months ended June 30, 2019 consisted primarily of (i) the commencement of construction in Milford, DE, (ii) the continued buildout of properties in Maryland and Massachusetts, and (iii) improvements to the Wilmington, DE and Las Vegas, NV properties.

Depreciation expense for the six months ended June 30, 2020 and 2019 approximated \$907,000 and \$471,000, respectively.



**NOTE 9 – DEBT**Mortgages Payable

At June 30, 2020 and December 31, 2019, mortgage balances, including accrued but unpaid interest, were comprised of the following:

	June 30, 2020	December 31, 2019
Bank of New England – Massachusetts property	\$ 4,765,464	\$ 4,825,226
Bank of New England – Delaware property	1,629,448	1,682,275
DuQuoin State Bank – Illinois properties	829,466	829,229
South Porte Bank – Illinois property	907,200	-
<b>Total mortgages payable</b>	<b>8,131,578</b>	<b>7,336,730</b>
Mortgages payable, current portion	(1,166,259)	(223,888)
<b>Mortgages payable, less current portion</b>	<b>\$ 6,965,319</b>	<b>\$ 7,112,842</b>

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. 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 approximated \$4,765,000 and \$4,825,000 and on June 30, 2020 and December 31, 2019, respectively, of which approximately \$119,000 and \$94,000, respectively, was current.

The Company maintains another mortgage with Bank of New England for the 2016 purchase of a 45,070 square foot building in Wilmington, 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 .5% with a floor of 5.25% per annum. At June 30, 2020 and December 31, 2019, the outstanding principal balance on this mortgage was approximately \$1,629,000 and \$1,682,000, respectively, of which approximately \$110,000 and \$105,000, 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 5<sup>th</sup> of each year, this mortgage is due to be repaid unless it is renewed for another year at a rate determined by DSB's executive committee. The mortgage was renewed in May 2020 at a rate of 6.75% per annum. At June 30, 2020 and December 31, 2019, the outstanding principal balance on this mortgage was approximately \$829,000 on both dates, of which approximately \$30,000 and \$24,000, respectively, was current.

In February 2020, the Company entered into a mortgage agreement with South Porte Bank for the purchase and development of a property in Mt. Vernon, IL. The mortgage, which matures in August 2020 and bears interest at a rate of 5.5% per annum, is in the process of being renegotiated into a long term agreement.

### Notes Payable

In February 2020, pursuant to an exchange agreement as further described in Note 12 – *Stockholders' Equity*, the Company issued two promissory notes in the aggregate principal amount of approximately \$4.4 million, 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 (the “\$4.4M Notes”). As of June 30, 2020, no payments were made on the \$4.4M Notes and accrued interest approximated \$253,000.

In June 2019, the Company and MariMed Hemp, its wholly-owned subsidiary, issued a secured promissory note in the principal amount of \$10.0 million (the “\$10M Note”) to an unaffiliated party (the “Noteholder”). The proceeds from the \$10M Note were used to finance a portion of the purchases of hemp seed inventory which was sold to GenCanna (the “Seed Transactions”) as further discussed in Note 17 – *Related Party Transactions*. The \$10M Note provided for the repayment of principal plus a payment of \$1.5 million (the “\$1.5M Payment”) on the maturity date of January 31, 2020. Such payment was charged to interest expense over the life of the \$10M Note.

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 Noteholder. 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, with the remainder in January 2020. Accordingly, the carrying value of the \$10M Note approximated \$9.9 million at December 31, 2019.

The Company entered into an amendment agreement with the Noteholder in February 2020, whereby the Company and MariMed Hemp issued an amended and restated promissory note maturing in June 2020 with a principal of \$11,500,000 (the “\$11.5M Note”), comprised of the \$10.0 million principal and the \$1.5M Payment (which the Company had accrued) of the \$10M Note. The \$11.5M Note bore interest at a rate of 15% per annum, requiring periodic interest payments and minimum amortization payments of \$3,000,000 in the aggregate, which the Company paid.

The Company entered into a second amendment agreement with the Noteholder in June 2020, whereby (i) \$52,000 of outstanding principal of the \$11.5M Note was converted into 1,900,000 shares of the Company’s common stock (which did not result in an extinguishment loss as the conversion price was higher than the price of the Company’s common stock on the conversion date), and (ii) the Company and MariMed Hemp issued a second amended and restated promissory note with a principal of approximately \$8.8 million (the “\$8.8M Note”), comprised of the outstanding principal and unpaid interest balances of the \$11.5M Note, plus a conversion fee of approximately \$30,000. In addition, the Company issued three-year warrants to the Noteholder to purchase 750,000 shares of common stock at an exercise price of \$0.50 per share. The fair value of these warrants on the issuance date of approximately \$66,000 was recorded as a discount to the \$8.8M Note. Accordingly, the carrying value of the \$8.8M Note approximated \$8.7 million at June 20, 2020.

The \$8.8M Note bears interest at a rate of 15% per annum, matures in June 2022, and required a minimum amortization payment of \$1,000,000 in July 2020, which the Company paid. The Company can prepay all, or a portion, of the outstanding principal and unpaid interest of the \$8.8M Note, however if any prepayment is made prior to December 25, 2021, the Company shall be required to pay a prepayment premium equal to 10% of the principal amount being prepaid. The Noteholder has the right to require the redemption of up to \$250,000 of principal and unpaid interest thereon per calendar month. Such monthly redemptions shall be paid in common stock if certain defined conditions of the \$8.8M Note and of the Company’s common stock are met, or else in cash. The Noteholder has the option to convert the \$8.8M Note, in whole or in part, into shares of the Company’s common stock at a conversion price of \$0.30, subject to certain conversion limitations.

The \$8.8M 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 \$8.8M Note imposes certain covenants on the borrowers, all of which were complied with as of June 30, 2020.

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 Seed Transactions as further discussed in Note 17 – *Related Party Transactions*. The note is secured by the collateral assignment of certain receivables from GenCanna and certain obligations of GenCanna to MariMed Hemp. The principal balance plus a payment of \$180,000, initially due in December 2019, was extended to March 2020 in accordance with the terms of the note, requiring an additional payment of \$30,000 (the “\$30,000 Fee”). Prior to the extended due date, the parties agreed that the note would continue on a month-to-month basis bearing interest at a rate of 15% per annum. At June 30, 2020, the outstanding balance consisted of the \$1,000,000 principal amount plus approximately \$338,000 of accrued interest which included the \$30,000 Fee.

In March 2019, the Company raised \$6.0 million through the issuance of a secured promissory note (the “\$6M Note”) to an unaffiliated party (the “Holding Party”) bearing interest at a rate of 13% per annum and a service fee of \$900,000 (the “Service Fee”). The proceeds of the note were used to finance a portion of the Seed Transactions as further discussed in Note 17 – *Related Party Transactions*. The \$6M Note is secured by the collateral assignment of certain receivables from and obligations of GenCanna to MariMed Hemp. The \$6M Note’s initial maturity date of December 31, 2019 was extended to April 30, 2020 in accordance with its terms, with the Company paying an extension fee in December 2019 of \$300,000 which was charged to interest expense.

The Company and the Holding Party entered into a note extension agreement in April 2020 (the “Extension Agreement”) pursuant to which (i) the \$6M Note’s due date was extended to September 2020, and the \$6.6M Note was modified to include unpaid accrued interest of \$845,000 through the modification date and interest at a rate of 10% per annum, and (iii) a new convertible note in the amount of \$900,000 (the “\$900k Note”) was issued evidencing the Service Fee, and bearing interest at a rate of 2% per annum. The Company settled the \$900k Note and accrued interest of \$20,100 as of the June 30, 2020 maturity date via the payment in July 2020 of \$460,050 in cash, representing one-half of the principal and accrued interest, and the issuance in June 2020 of 2,525,596 shares of the Company’s common stock, representing the other half of the principal and accrued interest.

In September 2018, the Company raised \$3.0 million from the issuance of a secured promissory note to the Holding Party, bearing interest at a rate of 10% per annum (the “\$3M Note”). The maturity date of the \$3M Note, initially in March 2020, 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. Pursuant to the Extension Agreement, the maturity date of the \$3M Note was extended to December 2020. The Company may elect to prepay the \$3M Note in whole or part without premium or penalty provided the Holding Party is given proper notice and the Company is not in default of the note agreement.

In consideration of the Extension Agreement, the Company (i) paid the Holding Party a fee of \$50,000, (ii) extended the security interest in the Company’s properties in Maryland to secure each note held by the Holding Party, and (iii) granted the Holding Party certain security interests in equity interests held by the Company. Each of the notes held by the Holding Party provides for cross-default and imposes certain covenants on the Company, all of which were complied with as of June 30, 2020.

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. Interest accrued on the \$3M Note was paid monthly, and accordingly the carrying value of the \$3M Note was \$3.0 million on June 30, 2020 and December 31, 2019.

In addition to the above transactions, the Company raised \$800,000 and \$2,760,000 in the six months ended June 30, 2020 and December 31, 2019, respectively, from the issuance of promissory notes to accredited investors bearing interest at rates ranging from 6.5% to 18% per annum, and maturing in 2020 and 2021 (the “Third Party Notes”). Of these promissory note issuances, \$100,000 was repaid in February 2020, and accordingly, \$3,460,000 remained outstanding at June 30, 2020 with related accrued interest of approximately \$307,000. In July 2020, the Company retired approximately \$2.8 million of principal and interest of the Third Party Notes.

#### Debt Maturities

As of June 30, 2020, the aggregate scheduled maturities of the Company’s total debt outstanding, inclusive of the promissory notes and mortgages described within this Note 9 – *Debt*, and the convertible debentures described in the following Note 10 – *Debentures Payable*, were:

2020	\$ 23,137,288
2021	12,023,285
2022	285,694
2023	304,912
2024	325,145
Thereafter	5,913,720
Total	41,990,044
Less discounts	(981,521)
	<u>\$ 41,008,523</u>

## NOTE 10 – DEBENTURES PAYABLE

In a series of transactions from the period October 2018 through February 2020, the Company sold an aggregate of \$21.0 million of convertible debentures (the “\$21M Debentures”) to an accredited investor pursuant to an amended securities purchase agreement (the “SPA”). The following table summarizes the purchase dates and selected terms of each debenture transaction that comprises the \$21M Debentures:

Issue Date	Maturity Date	Initial Principal	Interest Rate	Issue Discount	Warrant Discount	Ben. Conv. Feature	Converted To Common Stk.	Outstanding Principal
10/17/18	10/16/20	\$ 5,000,000	6.0%	1.0%	\$ 457,966	\$ 1,554,389	\$ 5,000,000	\$ -
11/07/18	11/06/20	5,000,000	6.0%	1.0%	599,867	4,015,515	5,000,000	-
05/08/19	05/07/21	5,000,000	6.0%	1.0%	783,701	2,537,235	1,200,000	3,800,000
06/28/19	06/27/21	2,500,000	0.0%	7.0%	145,022	847,745	1,000,000	1,500,000
08/20/19	08/19/21	2,500,000	0.0%	7.0%	219,333	850,489	2,500,000	-
02/21/20	02/20/21	1,000,000	6.5%	6.5%	28,021	379,183	-	1,000,000

The holder of the \$21M Debentures (the “Holder”) has the right at any time to convert all or a portion of the \$21M Debentures, 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 \$21M Debentures, of the daily volume-weighted price during the ten consecutive trading days preceding the date of conversion, subject to a cap in certain conversions. 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 has the right to redeem all or a portion of the \$21M Debentures, along with accrued and unpaid interest, at a 0% premium, provided that the Company first delivers advance written notice to the Holder of its intention to make a redemption, with the Holder allowed to effect certain conversions of the \$21M Debentures during such notice period.

Upon a change in control transaction, as defined, the Holder may require the Company to redeem all or a portion of the \$21M Debentures at a price equal to 10% of the outstanding principal amount of the \$21M Debentures, plus all accrued and unpaid interest thereon. So long as the \$21M 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 \$21M Debentures to match the terms of the convertible security issued in such VRT.

In conjunction with the issuance of the \$21M Debentures, the Company issued the Holder three-year warrants to purchase an aggregate of 1,354,675 shares of the Company’s common stock at exercise prices ranging from \$0.75 to \$5.50 per share, of which warrants to purchase 180,000 shares of common stock at an exercise price of \$0.75 were issued in the first six months ended June 30, 2020. The fair value of the warrants of approximately \$2.2 million was recorded as a discount to the carrying amount of the \$21M Debentures and amortized to interest expense over the respective term of the individual debentures comprising the \$21M Debentures.

Based on the conversion prices of the \$21M Debentures in relation to the market value of the Company’s common stock, the \$21M 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 \$10.2 million was recorded as a discount to the carrying amount of the \$21M Debentures, with an offset to additional paid-in-capital. The beneficial conversion feature is amortized to interest expense over the respective term of the individual debentures comprising the \$21M Debentures.

Pursuant to the terms of a registration rights agreement with the Holder, entered into concurrently with the SPA, 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 \$21M Debentures, and the warrants. An addendum to the SPA stipulates that the Holder has agreed not to undertake a conversion of all or a portion of the \$21M 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, thereby eliminating the requirement to bifurcate and account for the conversion feature of the \$21M Debentures as a derivative.

The Holder converted, in several transactions from November 2018 through June 2020, an aggregate of \$4.7 million of principal and approximately \$728,000 of accrued interest into 46,213,626 shares of common stock at conversion prices ranging from \$0.11 to \$3.06 per share. Of these conversions, an aggregate of \$4.7 million of principal and approximately \$317,000 of accrued interest was converted into 35,886,796 shares of common stock at exercise prices of \$0.11 and \$0.34 per share during the six months ended June 30, 2020.

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 the six month ended June 30, 2020 and 2019, amortization of the beneficial conversion features, after adjustment for the aforementioned conversions, approximated \$2,170,000 and \$2,282,000, respectively; amortization of the warrant discounts approximated \$421,000 and \$320,000 respectively; and the amortization of original issue discounts approximated \$222,000 and \$29,000, respectively. Additionally, accrued interest expense for such periods approximated \$175,000 and \$280,000, respectively.

At June 30, 2020, the aggregate outstanding principal balance of the \$21M Debentures was \$6.3 million. Also on such date, the unamortized balances of the beneficial conversion features, the warrant discounts, and original issue discounts were approximately \$1,250,000, \$424,000, and \$150,000, respectively. Accordingly, at June 30, 2020, the carrying value of the \$21M Debentures was approximately \$4,477,000, all of which was current.

At December 31, 2019, the aggregate outstanding principal balance on the \$21M Debentures was \$10,000,000. Also on such date, the unamortized balances of the beneficial conversion features, the warrant discounts, 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 \$21M Debentures was approximately \$5,835,000, all of which was long term.

#### **NOTE 11 – MEZZANINE EQUITY**

##### Preferred Stock

In February 2020, the Company entered into an exchange agreement with two institutional shareholders (the “TIS Exchange Agreement”) whereby the Company (i) exchanged 4,908,333 shares of the Company’s common stock previously acquired by the two institutional shareholders for an equal number of shares of newly designated Series B convertible preferred stock, and (ii) issued two promissory notes in the aggregate principal amount of approximately \$4.4 million in exchange for a loan in the same amount as previously discussed in Note 9 – *Debt*.

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

The holders of Series B convertible preferred stock (the “Series B Holders”) are entitled to cast the number of votes equal to the number of shares of common stock into which the shares of Series B convertible preferred stock are convertible, together with the holders of common stock as a single class, on most matters. However, the affirmative vote or consent of the Series B Holders voting separately as a class is required for certain acts taken by the Company, including the amendment or repeal of certain charter provisions, liquidation or winding up of the Company, creation of stock senior to the Series B convertible preferred stock, and/or other acts defined in the certificate of designation.

The Series B convertible preferred stock shall, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank senior to the Company's common stock. The Company shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock of the Company unless the Series B Holders then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B convertible preferred stock in an amount calculated pursuant to the certificate of designation.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the Series B Holders then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of common stock by reason of their ownership thereof, an amount per share equal to \$3.00, plus any dividends declared but unpaid thereon, with any remaining assets distributed pro-rata among the holders of the shares of Series B convertible preferred stock and common stock, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to common stock.

At any time on or prior to the six-year anniversary of the issuance date of the Series B convertible preferred stock, (i) the Series B Holders have the option to convert their shares of Series B convertible preferred stock into common stock at a conversion price of \$1.00 per share, without the payment of additional consideration, and (ii) the Company has the option to convert all, but not less than all, shares of Series B convertible preferred stock into common stock at a conversion price of \$1.00 if the daily volume weighted average price of common stock (the "VWAP") exceeds \$4.00 per share for at least twenty consecutive trading days prior to the date on which the Company gives notice of such conversion to the Series B Holders.

On the day following the six-year anniversary of the issuance of the Series B convertible preferred stock, all outstanding shares of Series B convertible preferred stock shall automatically convert into common stock as follows:

If the sixty-day VWAP is less than or equal to \$0.50 per share, the Company shall have the option to (i) convert all shares of Series B convertible preferred stock into common stock at a conversion price of \$1.00 per share, and pay cash to the Series B Holders equal to the difference between the 60-day VWAP and \$3.00 per share, or (ii) pay cash to the Series B Holders equal to \$3.00 per share.

If the sixty-day VWAP is greater than \$0.50 per share, the Company shall have the option to (i) convert all shares of Series B convertible preferred stock into common stock at a conversion price per share equal to the quotient of \$3.00 per share divided by the sixty-day VWAP, or (ii) pay cash to the Series B Holders equal to \$3.00 per share, or (iii) convert all shares of Series B convertible preferred stock into common stock at a conversion price per share equal to the sixty-day VWAP per share and pay cash to the Series B Holders at the difference between \$3.00 per share and the sixty-day VWAP per share.

The Company shall at all times when the Series B convertible preferred stock is outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series B convertible preferred stock, such number of its duly authorized shares of common stock as shall from time to time be sufficient to effect the conversion of all outstanding Series B convertible preferred stock.

## **NOTE 12 – STOCKHOLDERS' EQUITY**

### Common Stock

In February 2020, pursuant to the TIS Exchange Agreement, the 4,908,333 shares of common stock exchanged for shares of Series B convertible preferred stock were treated as an increase to treasury stock of \$14,725,000 (\$3.00 per share), and then immediately cancelled, thereby reducing treasury stock to zero, with corresponding reductions to common stock of approximately \$5,000 (the par value of the exchanged common shares) and additional paid-in capital of approximately \$14,720,000.

During the six months ended June 30, 2020, the Company issued 4,400,000 shares of common stock to settle approximately \$99,000 of obligations. Based on the price of the Company's common stock on the settlement date, the Company incurred a loss of approximately \$45,000 which is reflected under *Loss On Obligations Settled With Equity* on the statement of operations. No such settlements occurred during the six months ended June 30, 2019.

During the six months ended June 30, 2020, the Company granted 64,478 shares of common stock to a current employee. The fair value of the shares of approximately \$1,000 was charged to compensation expense during the period. At June 30, 2020, 34,171 of these shares were yet to be issued. During the six months ended June 30, 2019, there were no stock grants.

During the six months ended June 30, 2020 and 2019, the Company issued 3,236,857 and 97,136 shares of common stock, respectively, associated with previously issued subscriptions on common stock with a value of approximately \$1,168,000 and \$169,000, respectively.

During the six months ended June 30, 2019, the Company sold 799,995 shares of common stock at a price of \$3.25 per share, resulting in total proceeds of \$2,600,000. No common stock was sold during the six months ended June 30, 2020.

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

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, and 378,259 shares of common stock in 2018 to purchase a minority interest in MRSVP.

As previously disclosed in Note 9—*Debt*, the Company issued 4,425,596 shares of common stock during the six months ended June 30, 2020 to retire approximately \$812,000 of promissory notes (principal and accrued interest).

As previously disclosed in Note 10—*Debentures Payable*, during the six months ended June 30, 2020, the holder of the \$21M Debentures converted approximately \$0.0 million of principal and interest into 35,886,796 shares of common stock. During the six months ended June 30, 2019, the holder of the \$21M debentures converted approximately \$2.6 million of principal and interest into 1,156,379 shares of common stock.

As further disclosed in Note 13—*Stock Options*, during the six months ended June 30, 2019, 270,000 shares of common stock were issued in connection with the exercise of stock options. No stock options were exercised during the six months ended June 30, 2020.

As further disclosed in Note 14—*Warrants*, during the six months ended June 30, 2019, warrants to purchase 666,104 shares of common stock were exercised. No warrants were exercised during the six months ended June 30, 2020.

#### Common Stock Issuance Obligations

At June 30, 2020, the Company was obligated to issue 34,171 shares of common stock, valued at approximately \$5,000, in connection with a stock grant to a current employee. Such shares were subsequently issued in August 2020. At June 30, 2019, the Company was obligated to issue 752,260 shares of common stock, valued at approximately \$2.1 million, in connection with the MediTaurus acquisition. Such shares were subsequently issued in December 2019.

#### 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 13 – STOCK OPTIONS**

During the six months ended June 30, 2020, five-year options to purchase up to 564,500 common shares were issued to employees at an exercise price of \$0.30 per share. The fair value of these options on grant date of approximately \$67,000 will be charged to compensation expense over the vesting period, of which approximately \$25,000 was charged during the six months ended June 30, 2020. No options were granted during the six months ended June 20, 2019.

During the six months ended June 30, 2020 and 2019, the charge to compensation expense for previously issued stock options which are being amortized over their vesting periods approximated \$544,000 and \$930,000, respectively.

During the six months ended June 30, 2019, options to purchase 270,000 shares of common stock were exercised at prices ranging from \$0.26 to \$0.77 per share. Of these exercised options, 220,000 were exercised on a cashless basis with the exercise prices paid via the surrender of 40,945 shares of common stock. No options were exercised during the six months ended June 30, 2020.

During the six months ended June 30, 2020, options to purchase 30,000 shares of common stock were forfeited, resulting in an aggregate reduction of amortization expense of approximately \$19,000. No options were forfeited during the three months ended June 30, 2019.

Stock options outstanding and exercisable as of June 30, 2020 were:

Exercise Price per Share	Shares Under Option		Remaining Life in Years
	Outstanding	Exercisable	
\$ 0.130	200,000	200,000	0.10
\$ 0.140	550,000	550,000	0.50
\$ 0.300	564,500	-	4.75
\$ 0.330	50,000	50,000	0.69
\$ 0.417	900,000	350,000	4.49
\$ 0.450	125,000	125,000	1.26
\$ 0.590	15,000	15,000	4.44
\$ 0.630	300,000	300,000	1.50
\$ 0.770	200,000	200,000	2.50
\$ 0.900	50,000	50,000	2.87
\$ 0.910	50,000	50,000	2.31
\$ 0.950	50,000	30,000	2.50
\$ 0.992	300,000	300,000	4.24
\$ 1.000	170,000	75,000	4.34
\$ 1.350	100,000	25,000	3.08
\$ 1.950	500,000	125,000	3.00
\$ 2.320	100,000	100,000	3.20
\$ 2.450	2,000,000	2,000,000	2.48
\$ 2.500	100,000	75,000	3.16
\$ 2.650	200,000	150,000	3.24
\$ 2.850	56,250	43,750	2.45
\$ 2.850	100,000	75,000	3.45
\$ 3.000	25,000	25,000	3.46
\$ 3.725	100,000	100,000	3.44
	<u>6,805,750</u>	<u>5,013,750</u>	



#### NOTE 14 – WARRANTS

During the six months ended June 30, 2020, in conjunction with the \$21M Debentures previously disclosed in Note 10- *Debentures Payable*, the Company issued three-year warrants to purchase 180,000 shares of common stock at an exercise price of \$0.75 per share. The fair value of these warrants on the issuance date approximated \$28,000, with approximately \$3,000 of this amount amortized to interest expense during the period and the remainder to be amortized over the term of the respective debenture. Also during this period, as part of the \$8.8M Note transaction previously disclosed in Note 9 – *Debt*, the Company issued three-year warrants to purchase 750,000 shares of common stock at an exercise price of \$0.50 per share. The fair value of these warrants on the issuance date approximated \$66,000, with approximately \$1,000 of this amount amortized to interest expense during the period and the remainder to be amortized by the maturity date of the \$8.8M Note.

During the six months ended June 30, 2019, in conjunction with the \$21M Debentures previously disclosed in Note 10- *Debentures Payable*, the Company issued three-year warrants to purchase 550,000 shares of common stock at an exercise price of \$5.00 per share. The fair value of these warrants at issuance approximated \$929,000, with approximately \$57,000 of this amount amortized to interest expense during the period and the remainder amortized over the remaining term of the respective debentures. Also during this period, as part of the \$10M Note transaction previously disclosed in Note 9 – *Debt*, 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 \$65,000 of this amount amortized to interest expense during the period and the remainder amortized by the maturity date of the \$10M Note.

During the six months ended June 30, 2019, warrants to purchase 666,104 shares of common stock were exercised at exercise prices ranging from \$0.12 to \$1.75 per share, resulting in aggregate proceeds to the Company of approximately \$602,000. No warrants were exercised during the six months ended June 30, 2020.

At June 30, 2020 and 2019, warrants to purchase 12,710,107 and 10,865,107 shares of common stock, respectively, were outstanding with exercise prices ranging from \$0.16 to \$5.50 per share in both periods.

#### NOTE 15 – REVENUES

For the six months ended June 30, 2020 and 2019, the Company's revenues were comprised of the following major categories:

	Six Months Ended June 30,	
	2020	2019
Real estate	\$ 3,492,042	\$ 3,442,024
Management	748,178	1,194,791
Supply procurement	818,900	1,906,399
Licensing	796,847	568,127
Product sales	11,219,880	1,880
Product sales from related party	-	22,014,879
Other	478	60,392
Total revenues	\$ 17,076,325	\$ 29,188,492

The amount under *Product Sales From Related Party* shown in the table above represents the total revenues from the seed transactions with GenCanna, which is further disclosed in Note 17 – *Related Party Transactions*. Excluding these revenues, for the six months ended June 30, 2020 and 2019, revenue from two clients represented 0% and 81%, respectively, of total revenues.

**NOTE 16 – BAD DEBTS**

At June 30, 2020 and 2019, the Company maintained reserves against bad debts of approximately \$43.6 million and \$250,000, respectively.

The June 30, 2020 reserves were primarily comprised of (i) an allowance against the accounts receivable balance due from GenCanna of approximately \$29.0 million, following the commencement of GenCanna's Chapter 11 proceedings as previously discussed in Note 4 – *Investments*, (ii) an allowance against the accounts receivable balance of approximately \$10.4 million, and reserve against the working capital balance of approximately \$1.5 million, due from Kind, in light of the current litigation between the Company and Kind as further discussed in Note 18 – *Commitments and Contingencies*, and (iii) an allowance against the accounts receivable balance of approximately \$266,000, and a reserve against the working capital balance of approximately \$1.9 million due from Harvest, based on the Company's expectation of the negative impact of the COVID-19 pandemic on Harvest's local economy.

## NOTE 17 – RELATED PARTY TRANSACTIONS

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 previously discussed in Note 9 – *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 defaults under its senior credit facility, 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, as previously discussed in Note 4 – *Investments*, under pressure from certain of its creditors, the GenCanna Debtors agreed to convert a previously-filed involuntary bankruptcy proceeding into a voluntary Chapter 11 proceeding, and filed voluntary petitions under Chapter 11 in the Bankruptcy Court.

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 proceedings, the Company fully reserved the receivable balance of approximately \$29.0 million and wrote off the entire unearned revenue balance of approximately \$4.2 million.

All of the Company's mortgages with Bank of New England, as disclosed in Note 9 – *Debt* and Note 19 – *Subsequent Events*, are personally guaranteed by the Company's CEO and CFO.

In 2019, the Company granted five-year options to purchase up to 100,000 shares of common stock to each of the Company's three independent board members at an exercise price of \$0.99 per share. The aggregate fair value of these options of approximately \$191,000 was fully amortized at March 31, 2020. No options were granted to related parties during the six months ended June 30, 2020.

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. No options were exercised by related parties during the six months ended June 30, 2020.

In 2019, options to purchase 117,501 shares of common stock were forfeited by board members. No options were forfeited by related parties during the six months ended June 30, 2020.

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. During the six months ended June 30, 2020 and 2019, expenses incurred under this lease approximated \$78,000 in both periods.

The balance of *Due To Related Parties* at June 30, 2020 and December 31, 2019 of approximately \$1,391,000 and \$1,455,000, respectively, were comprised of amounts owed of approximately (i) \$515,000 and \$420,000, respectively, to the Company's CEO and CFO, (ii) \$832,000 and \$990,000, respectively, to companies partially owned by these officers, and (iii) \$45,000 in both periods to a stockholder of the Company. Such amounts owed are not subject to repayment schedules.

**NOTE 18 – 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 six months ended June 30, 2020 were as follows:

Operating lease cost	\$	492,228
Finance lease cost:		
Amortization of right-of-use assets	\$	16,342
Interest on lease liabilities		4,033
Total finance lease cost	\$	<u>512,603</u>

The weighted average remaining lease term for operating leases is 8.9 years, and for the finance lease is 3.2 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 June 30, 2020 under all non-cancelable leases having an initial or remaining term of more than one year were:

	Operating Leases	Finance Lease
2020	\$ 485,187	\$ 19,206
2021	1,008,227	38,412
2022	949,535	27,123
2023	910,166	23,201
2024	835,411	3,229
Thereafter	4,267,635	-
Total lease payments	<u>8,456,161</u>	<u>111,171</u>
Less: imputed interest	(2,361,652)	(12,519)
	<u>\$ 6,094,509</u>	<u>\$ 98,652</u>

### 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 June 30, 2020 and December 31, 2019, 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 commencing legal proceedings.

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) asserting claims against the Company, including breach of contract, breach of fiduciary duty, accounting, and unjust enrichment, and seeking declaratory judgment 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 (the “Counterclaim”). The Counterclaim alleges 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 contract, and the establishment of a constructive trust for the Company’s benefit. The Counterclaim also seeks damages.

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 the 20-year lease agreement for Kind’s utilization of the Company’s cultivation and production facility (“Lease”) “appear to be independent, valid and enforceable contracts.” Each party’s preliminary injunction motion is currently pending before the Court.

On or about April 3, 2020, the Company filed its First Amended Counterclaim and Third Party Complaint in which additional claims were added and clarified, including breach of Lease and breach of the Licensing and Manufacturing Agreement (“LMA”) against Kind, along with other alternative claims and seeking damages. The Company believes that its claims for breach of contract with respect to the MOU, the MSA, the Lease, and the LMA, 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. The trial is currently scheduled to start on June 7, 2021.

## NOTE 19 – SUBSEQUENT EVENTS

### Mortgage Agreement

In July 2020, the Company refinanced the mortgage agreement secured by its Massachusetts real estate, replacing a mortgage with a remaining principal balance of approximately \$4.8 million (the “Initial Mortgage”) with a \$13.0 million mortgage bearing interest at a rate of 6.5% per annum that matures in August 2025 (the “Refinanced Mortgage”).

### Retirement of Debt

In July 2020, as previously discussed in Note 9 – *Debt*, the Company (i) paid the Noteholder the required minimum amortization payment of \$4.0 million pursuant to the terms of the \$8.8M Note, (ii) settled half of the principal and accrued interest of the \$900k Note with a cash payment of \$460,050 to the Holding Party, and (iii) retired approximately \$2.8 million of principal and interest of the Third Party Notes. All of these payments were made with the net proceeds from the Refinanced Mortgage.

### Conversion of Debentures Payable

In July 2020, the holder of the \$21M Debentures converted an aggregate of approximately \$592,000 of principal and accrued interest into 5,183,134 shares of common stock at conversion prices of \$0.11 and \$0.12 per share.

### Common Stock Issuance Obligations

In August 2020, the Company issued 34,171 shares of common stock in connection with the stock grant to a current employee previously disclosed in Note 12 – *Stockholders' Equity*.

## 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 of this report.

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

### Overview

#### General

MariMed Inc. (the “Company”) is a multi-state operator in the 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.

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 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. Since this time, the Company successfully secured 19 cannabis licenses across six states—two in Delaware, five in Illinois, three in Maryland, and six in Massachusetts, two in Nevada, and one in Rhode Island.

The Company has demonstrated an excellent track record developing and operating licensed cannabis facilities, and implementing its proprietary operating procedures and industry best practices. In 2018, the Company commenced a strategic plan to transition from an advisory business 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 located in five states—Delaware, Illinois, Maryland, Massachusetts, and Nevada – 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 investment 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, and a reflection of 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 and establishes the Company as a fully integrated seed-to-sale multi-state operator. The acquisitions of the remaining entities located in Delaware, Maryland, and Nevada are at various stages of completion and subject to each state's laws governing the ownership and transfer of cannabis licenses, which in the case of Delaware requires a modification of current cannabis ownership laws to permit for-profit ownership. However, the Company continues to develop additional revenue and business in these states and plans to leverage its success to expand into other markets where cannabis is and becomes legal.

The Company has also created its own brands of cannabis flower, concentrates, and precision-dosed products utilizing proprietary strains and formulations. 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 the Binske® line of cannabis products crafted from premium artisan ingredients, the Healer™ line of medical full-spectrum tinctures, 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"), the Company established a wholly owned subsidiary, MariMed Hemp Inc. ("MariMed Hemp"), to market and distribute hemp-derived CBD products across several vertical markets. Prior to this, as a means of expanding into the global CBD market, the Company acquired a majority interest of MediTaurus LLC ("MediTaurus"), an entity operating in the United States and Europe that has developed proprietary CBD formulations under its Florance™ brand.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The spread of the virus in the United States and the measures implemented to contain it—including business shutdowns, indoor capacity restrictions, social distancing, and diminished travel—have negatively impacted the economy and have created significant volatility and disruption in financial markets. Consequently, the Company's expansion efforts and implementation of its strategic plan have been delayed. Additionally, while the cannabis industry has been deemed an essential business, and is not expected to suffer severe declines in revenue, the Company's business, operations, financial condition, and liquidity have been adversely affected, as further discussed in the notes accompanying the financial statements and within this *Management's Discussions and Analysis of Financial Condition and Results of Operations*.

Continued disruption to the global economy may materially and adversely affect the future carrying values of certain of the Company's assets, including inventories, accounts receivables, and intangibles, as well as negatively impact the Company's ability to raise working capital to support its operations. The full extent to which COVID-19 and the measures to contain it will impact the Company's business, operations financial condition, and liquidity will depend on the continued severity and duration of the COVID-19 outbreak and other future developments in response to the virus, all of which are highly uncertain at this time. As a result, the Company cannot predict the ultimate impact of COVID-19 on its operational and financial performance.



## 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™, Nature's Heritage™, 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 (i) facility design and development, (ii) inventory management, and (iii) 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 (i) the direct sale of acquired hemp seed inventory in the second quarter, and (ii) cannabis dispensary and wholesale operations of ARL in Massachusetts and the KPGs in Illinois in the fourth quarter. Future product sales are expected to include the distribution of Company-acquired and developed hemp-derived CBD product lines, and the Company's planned cannabis-licensee acquisitions in Maryland, Nevada, and Delaware (upon this state's amendment to permit for-profit ownership of cannabis entities).

## 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, and bad debts; and
- non-operating income and expenses, which include the sub-categories of interest expense, interest income, equity in earnings of equity method investments, loss on obligations settled with equity, and changes in the fair value of non-consolidated investments.

## Liquidity and Capital Resources

At June 30, 2020, the Company had cash and cash equivalents of approximately \$2.3 million and negative working capital of approximately \$21.5 million, compared to cash and cash equivalents of approximately \$739,000 and negative working capital of approximately \$29.3 million at December 31, 2019.

The large negative working capital balances were primarily the result of the issuance of promissory notes in the aggregate principal amount of \$17.0 million in 2019 (the "Notes") to fund the purchase of large quantities of top-grade hemp seeds at volume discounts which were then sold to GenCanna, a related party, at market rates (the "Seed Transactions"), coupled with the recording of a bad debt reserve, also in 2019, against the receivable balance from GenCanna arising from the Seed Transactions of approximately \$29.0 million following GenCanna's Chapter 11 proceedings. The Notes were amended in 2020 to extend their due dates, among other amended terms, with an aggregate principal amount of \$13.0 million still outstanding as of June 30, 2020; and the approximate \$29.0 million GenCanna receivable remained fully reserved as well. Please refer to the footnote disclosures accompanying the Company's financial statements included in this report for further discussion of the Seed Transactions.

The negative working capital balances were also due to the recording in 2019 of a bad debt reserve against the receivable and working capital balances due from (i) Kind of approximately \$11.2 million in the aggregate, in light of the current litigation between the Company and Kind described below, 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 COVID-19 pandemic. At June 30, 2020, the Kind reserves were increased to approximately \$12.6 million, the Harvest reserves remained at approximately \$2.2 million, and the Company recorded an additional reserve of \$450,000 against certain aged receivable balances. Please refer to the footnote disclosures accompanying the Company's financial statements included in this report for further discussion of bad debt reserves.

The approximate \$1.6 million increase in cash and cash equivalents and approximate \$7.8 million improvement in working capital from December 31, 2019 to June 30, 2020 were primarily attributable to approximately \$4.4 million of proceeds from the exchange agreement consummated in February 2020, and \$700,000 of proceeds from the issuance of a promissory note in April 2020, both such debt arrangements discussed in Note 9 – *Debt* of the Company's financial statements, offset primarily by purchases of property and equipment. The improvement of negative working capital was also due to the aforementioned amendment of promissory notes, which resulted in a portion of such notes being classified as long term and therefore excluded from the calculation of working capital.

Prior to the filing of this report, the Company refinanced the mortgage agreement secured by its Massachusetts real estate, replacing a mortgage with a remaining principal balance of approximately \$4.8 million (the "Initial Mortgage") with a \$13.0 million mortgage bearing interest at a rate of 6.5% per annum that matures in August 2025. After paying off the Initial Mortgage, the Company retired approximately \$7.3 million of outstanding short-term debt that bore interest at a weighted-average rate of 15% per annum.

As of the filing date of this report, the Company the Company has hired an investment banking and advisory firm to explore additional opportunities to raise capital, although there is no assurance that a financing transaction will be consummated.

With respect to the Company's consolidation plan, the operations of the acquired entities in Illinois and Massachusetts have started to generate considerable liquidity and working capital for the Company. Since their acquisition in October 2019, the KPGs in Illinois have generated in excess of \$2.8 million of pretax income for the Company, which continues to exceed forecasts, in part due to the legalization of adult-use cannabis in January 2020. Additionally, the KPGs have added a third dispensary in Mt. Vernon which is finalizing requirements to begin operations. In Massachusetts, the cultivation and production facility acquired by the Company in December 2018 has ramped up its grow capabilities to full capacity. Additionally, the Massachusetts Cannabis Control Commission (the "MCCC") has given the Company final approval for adult-use cannabis production and sales. The MCCC will perform one last inspection, which the Company expects will occur prior to the end of September 2020, in order for the Company to commence business in this state's robust adult-use market.

In connection with the preparation of its financial statements for the six months ended June 30, 2020, the Company's management evaluated the Company's ability to continue as a going concern in accordance with 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 indicate 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 the Company's consolidation plan, the impact of the COVID-19 pandemic on its operations, developments concerning GenCanna's bankruptcy proceedings, recent cannabis industry investment activity, price movements of public cannabis stock, actions and/or results of certain bellwether cannabis companies, the level of cannabis investor confidence, and changes to state laws governing recreational (adult-use) and medical cannabis.

In light of the aforementioned disclosures, among other factors reviewed as part of management's evaluation, there is a substantial doubt that the Company will be able to continue as a going concern within one year after the issuance date of these financial statements.

### Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2020 approximated \$540,000, compared to net cash used in operating activities of approximately \$22.1 million for the same period in 2019. The year-over-year improvement was primarily attributable to the higher inventory and related party receivable balances from the Seed Transactions, the intentional slowing of payments of trade accounts payable and other liabilities in 2020, and an increase in operating income in 2020 generated by the acquisition of the KPGs in Illinois and ARL in Massachusetts, offset by higher payments in 2020 to third parties and for operating leases.

### Investing Activities

Net cash used in investing activities for the six months ended June 30, 2020 approximated \$2.6 million, compared to approximately \$5.4 million for the same period in 2019. The year-over-year improvement was due to investments in notes receivable from Atalo, Healer and MHWC in 2019. No such investments were made in 2020. The year-over-year improvement is also due to reduced property and equipment purchases in 2020.

### Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2020 approximated \$3.6 million, compared to approximately \$26.9 million for the same period in 2019. In 2020, the Company raised approximately \$7.1 million from debt financings, offset by \$3.1 million of promissory note repayments, compared to debt and equity financings in 2019 of \$24.3 million in the aggregate with no repayments of debt.

The proceeds from the aforementioned financings 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**

### Three months ended June 30, 2020 compared to three months ended June 30, 2019

Total revenues for the three months ended June 30, 2020 were approximately \$9.6 million compared to \$25.7 million for the same period in 2019. The year-over-year variance was primarily attributable to revenues from GenCanna, a related party, of approximately \$22.0 million generated from the Seed Transactions. Excluding these one-time Seed Transactions, core revenues for the three months ended June 30, 2020 grew to approximately \$9.6 million, an increase of 162.7%, from approximately \$3.7 million for the same period in 2019. The year-over-year increase of approximately \$5.9 million was due to cannabis sales in 2020 of approximately \$5.5 million from the KPGs in Illinois, acquired by the Company in October 2019, and approximately \$1.8 million from ARL in Massachusetts, acquired by the Company in late 2018 and whose selling operations commenced in December 2019. These increases in cannabis sales were offset by decreases in procurement revenue and management fees charged to Kind, the Company's cannabis-licensed client in Maryland, and against whom the Company is currently in litigation.

Cost of revenues were approximately \$3.5 million for the three months ended June 30, 2020 from approximately \$16.7 million for the same period in 2019. The year-over-year variance was primarily attributable to the cost of seeds sold to GenCanna of approximately \$15.7 million incurred from the Seed Transactions. Excluding these one-time Seed Transactions, cost of revenues for the three months ended June 30, 2020 increased to approximately \$3.5 million from approximately \$1.0 million for the same period in 2019. As a percentage of revenue, these costs increased to 35.9% in 2020 from 27.6% in 2019, which is the result of Company's transition from a cannabis advisory company to a multi-state operator of cannabis businesses, whereby the Company will generate less revenues from a rental income and management fees, which have minimal associated costs, to a vastly higher level of revenue from product sales, which have a relatively higher level of associated costs.

As a result of the foregoing, gross profit approximated \$6.2 million, or 64.1% of total revenues, for the three months ended June 30, 2020 from approximately \$8.9 million, or 34.8% of total revenues, for the same period a year ago. Excluding the Seed Transactions, gross profit increased to approximately \$6.2 million for the three months ended June 30, 2020 from approximately \$2.6 million for the same period a year ago, an increase of approximately \$3.5 million or 132.5%.

Personnel expenses increased to approximately \$1.2 million for the three months ended June 30, 2020 from approximately \$825,000 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 of seed-to-sale cannabis businesses. As a percentage of revenues excluding the Seed Transactions, personnel expenses dropped to 12.6% in 2020 compared to 22.6% in 2019.

Marketing and promotion costs decreased slightly to approximately \$66,000 for the three months ended June 30, 2020 from approximately \$76,000 for the same period a year ago. As a percentage of revenues excluding the Seed Transactions, these costs fell to 0.7% in 2020 from 2.1% in 2019 resulting from the Company's reduced presence at industry conferences and tradeshows.

General and administrative costs decreased to approximately \$2.3 million for the three months ended June 30, 2020 from approximately \$2.7 million for the same period a year ago. This decrease is primarily due to the facility and other related costs that were absorbed into the inventory of the Company's dispensary in Massachusetts in 2020.

During the three months ended June 30, 2020, the Company recorded an additional bad debt reserve of \$450,000 to cover potential losses that would be incurred by the Company and its clients from the impact of COVID-19 and the measures enacted by local governments to reduce its spread.

As a result of the foregoing, the Company generated operating income of approximately \$2.1 million for the three months ended June 30, 2020 compared to operating income of approximately \$5.3 million for the same period a year ago. Excluding the Seed Transactions, the Company generated operating income of approximately \$2.1 million for the three months ended June 30, 2020 and incurred an operating loss of approximately \$929,000 for the same period in 2019, a positive swing of approximately \$3.0 million.

Net non-operating expenses were approximately \$3.2 million for the three months ended June 30, 2020 compared to net non-operating income of approximately \$348,000 for the same period in 2019. The year-over-year change is primarily due to (i) the approximate \$2.9 million received by the Company in 2019 from the settlement of the AgriMed matter discussed in Note 3 – *Acquisitions* of the Company's financial statements, and (ii) declines in value of the Company's investments in Chooze and MRSVP in 2020.

As a result of the foregoing, the Company incurred a net loss of approximately \$1.1 million for the three months ended June 30, 2020. For the same period a year ago, after a tax provision of approximately \$975,000, the Company generated net income of approximately \$4.7 million, and excluding the Seed Transactions, incurred a net loss of approximately \$581,000.

### Six months ended June 30, 2020 compared to six months ended June 30, 2019

Total revenues for the six months ended June 30, 2020 were approximately \$17.1 million compared to \$29.2 million for the same period in 2019. The year-over-year variance was primarily attributable to revenues from GenCanna, a related party, of approximately \$22.0 million generated from the Seed Transactions. Excluding these one-time Seed Transactions, core revenues for the six months ended June 30, 2020 grew to approximately \$17.1 million, an increase of 138.0%, from approximately \$7.2 million for the same period in 2019. The year-over-year increase of approximately \$9.9 million was due to cannabis sales in 2020 of approximately \$9.3 million from the KPGs in Illinois, acquired by the Company in October 2019, and approximately \$2.3 million from ARL in Massachusetts, acquired by the Company in late 2018 and whose selling operations commenced in December 2019. These increases in cannabis sales were offset by decreases in procurement revenue and management fees charged to Kind, the Company's cannabis-licensed client in Maryland, and against whom the Company is currently in litigation.

Cost of revenues were approximately \$6.1 million for the six months ended June 30, 2020 from approximately \$18.0 million for the same period in 2019. The year-over-year variance was primarily attributable to the cost of seeds sold to GenCanna of approximately \$15.7 million incurred from the Seed Transactions. Excluding these one-time Seed Transactions, cost of revenues for the six months ended June 30, 2020 increased to approximately \$6.1 million from approximately \$2.3 million for the same period in 2019. As a percentage of total revenues, these costs increased to 35.4% in 2020 from 31.6% in 2019, which is the result of Company's transition from a cannabis advisory company to a multi-state operator of cannabis businesses, whereby the Company will generate less revenues from a rental income and management fees, which have minimal associated costs, to a vastly higher level of revenue from product sales, which have a relatively higher level of associated costs.

As a result of the foregoing, gross profit approximated \$11.0 million, or 64.6% of total revenues, for the six months ended June 30, 2020 from approximately \$11.2 million, or 38.3% of total revenues, for the same period a year ago. Excluding the Seed Transactions, gross profit increased to approximately \$11.0 million for the six months ended June 30, 2020 from approximately \$4.9 million for the same period a year ago, an increase of approximately \$6.1 million or 124.6%.

Personnel expenses increased to approximately \$2.7 million for the six months ended June 30, 2020 from approximately \$1.5 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 of seed-to-sale cannabis businesses. As a percentage of revenues excluding the Seed Transactions, personnel expenses dropped to 15.9% in 2020 compared to 20.9% in 2019.

Marketing and promotion costs decreased slightly to approximately \$178,000 for the six months ended June 30, 2020 from approximately \$195,000 for the same period a year ago. As a percentage of revenues excluding the Seed Transactions, these costs fell to 1.0% in 2020 from 2.7% in 2019 resulting from the Company's reduced presence at industry conferences and tradeshows.

General and administrative costs increased to approximately \$4.6 million for the six months ended June 30, 2020 from approximately \$4.4 million for the same period a year ago. This slight increase is primarily due to higher facility costs on additional properties owned and in service in 2020. As a percentage of revenue excluding the Seed Sales, general and administrative costs decreased to 26.8% in 2020 from 60.7% in 2019, reflecting a more efficient use of the Company's fixed overhead costs.

During the six months ended June 30, 2020, the Company recorded an additional bad debt reserve of \$450,000 to cover potential losses that would be incurred by the Company and its clients from the impact of COVID-19 and the measures enacted by local governments to reduce its spread.

As a result of the foregoing, the Company generated operating income of approximately \$3.1 million for the six months ended June 30, 2020, compared to operating income of approximately \$5.1 million for the same period in 2019. Excluding the Seed Transactions, the Company generated operating income of approximately \$3.1 million for the six months ended June 30, 2020, compared to an operating loss of approximately \$1.1 million for the same period in 2019, resulting in a positive swing of approximately \$4.2 million.

Net non-operating expenses were approximately \$6.6 million for the six months ended June 30, 2020 compared to net non-operating income of approximately \$649,000 for the same period in 2019. The year-over-year change is primarily due to (i) the approximate \$2.9 million received by the Company in 2019 from the settlement of the AgriMed matter discussed in Note 3 – *Acquisitions* of the Company's financial statements, (ii) declines in value of the Company's investments in Terrace, Chooze and MRSVP in 2020, and (iii) an increase in interest expense due to higher levels of debt in 2020.

As a result of the foregoing, the Company incurred a net loss of approximately \$3.5 million for the six months ended June 30, 2020. For the same period a year ago, after a tax provision of approximately \$985,000, the Company generated net income of approximately \$4.8 million, and excluding the Seed Transactions, incurred a net loss of approximately \$493,000.

### **2020 Plans**

During the remainder of 2020, the Company intends (subject to state and regulatory approvals) to complete the implementation of its aforementioned strategic plan as previously discussed. Progress made on the plan to date has established the Company as a fully integrated seed-to-sale multi-state cannabis operator

In addition, the Company's focus has been and will continue to be on the following key areas:

- 1) Increase production and wholesale revenue at its cultivation and production facility in New Bedford, MA. Co-locate adult-use at the currently medical dispensary in Middleboro, MA; Open two additional co-located dispensaries in Massachusetts.
- 2) Continue to expand the Company's Nature's Heritage™ branded flower and popular infused-product brands such as Betty's Eddies™, Kalm Fusion™, and Bourne Baked Goods™ into the robust Massachusetts medical and adult-use marketplace. Expand our exclusively licensed Tropizan® and Binske® brands.
- 3) Increase sales and profits 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 open the third dispensary in September and the fourth by the beginning of 2021.
- 4) Increase sales and profits in Maryland and Delaware by adding over 100,000 square feet of new cannabis cultivation and processing facilities. Add more of the Company's brands and expand marketing into these states.
- 5) Drive licensing fees through the sale of branded products at the Company's owned and managed facilities and with strategic partners into additional markets.
- 6) Continue to build brands and distribution of CBD-infused products through the Company's MariMed Hemp subsidiary.

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

**Subsequent Events**

Please refer to Note 19 –*Subsequent Events* of the Company’s financial statements included in this report for a discussion of material events that occurred after the balance sheet date.

The issuance of the shares of common stock described in Note 19 –*Subsequent Events* of the Company’s financial statements 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. 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.

**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.

### **Item 3. Quantitative and Qualitative Disclosure 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 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2020 (the “Evaluation Date”). Based upon that evaluation, the chief executive officer and the chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) are recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) are accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

During the six months ended June 30, 2020 and past fiscal year, we implemented significant measures to remediate the previously disclosed ineffectiveness of our internal control over financial reporting, which included an insufficient degree of segregation of duties amongst our accounting and financial reporting personnel, and the lack of a formalized and complete set of policy and procedure documentation evidencing our system of internal controls over financial reporting. The remediation measures consisted of the 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 of our accounting processes and enhancement to our financial controls, including the testing of such controls.

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 six months ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. 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) asserting claims against the Company, including breach of contract, breach of fiduciary duty, accounting, and unjust enrichment, and seeking declaratory judgment 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 (the “Counterclaim”). The Counterclaim alleges 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 contract, and the establishment of a constructive trust for the Company’s benefit. The Counterclaim also seeks damages. 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 the 20-year lease agreement for Kind’s utilization of the Company’s cultivation and production facility (“Lease”) “appear to be independent, valid and enforceable contracts.” Each party’s preliminary injunction motion is currently pending before the Court. On or about April 3, 2020, the Company filed its First Amended Counterclaim and Third Party Complaint in which additional claims were added and clarified, including breach of Lease and breach of the Licensing and Manufacturing Agreement (“LMA”) against Kind, along with other alternative claims and seeking damages. The Company believes that its claims for breach of contract with respect to the MOU, the MSA, the Lease, and the LMA, 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. The trial is currently scheduled to start on June 7, 2021.

### Item 1A. Risk Factors

As a smaller reporting company, the Company is not required to provide the information contained in this item pursuant to Regulation S-K. However, information regarding the Company’s risk factors appears in Part I, Item 1A. of its Annual Report on Form 10-K for the year ended December 31, 2019. These risk factors describe some of the assumptions, risks, uncertainties, and other factors that could adversely affect the Company’s business or that could otherwise result in changes that differ materially from management’s expectations. There have been no material changes to the risk factors contained in the Annual Report except for the following additional risk related to COVID-19:

#### **Our business, operations, financial condition, and liquidity have been and may continue to be materially and adversely affected by the outbreak of COVID-19.**

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of the virus. The spread of COVID-19 in the United States and the measures to contain it have negatively impacted the economy and created significant volatility and disruption in financial markets. Business shutdowns in certain states in response to stay-at-home orders and related measures have temporarily eliminated certain customers’, principally non-medical use customers’, access to our managed dispensaries, adversely impacting sales during this restricted period. In addition, these restrictions and other disruptions caused by the outbreak have impacted our expansion, consolidation, and administrative functions. Further, the volatility in the financial markets and investor uncertainty has delayed and adversely impacted our ability to consummate debt and equity financings to raise working capital to support our operations and expansion plans. As a result, our business, operations, financial condition, and liquidity have been and may continue to be materially and adversely affected. Further, the disruption to the global economy and to our business, along with the decline in our stock price, may also negatively impact the future carrying values of certain assets, including inventories, accounts receivables, intangibles, and goodwill. The full extent to which COVID-19 and the measures to contain it will impact our business, operations financial condition, and liquidity will depend on the severity and duration of the COVID-19 outbreak and other future developments related to the response to the virus all of which are highly uncertain. As a result, we cannot predict the ultimate impact of COVID-19 on the Company and its operational and financial performance.

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

During the quarter ended June 30, 2020, the Company issued (i) 27,302,520 shares of common stock associated with debenture conversions, (ii) 4,425,596 shares of common stock to retire promissory notes, (iii) 4,400,000 shares of common stock to settle obligations, and (iv) 30,307 shares of common stock related to an employee stock grant.

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

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.



**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#"><u>Certificate of Incorporation of the Company (a)</u></a>
3.1.1	<a href="#"><u>Amended Certificate of Incorporation of the Company (b)</u></a>
3.1.2	<a href="#"><u>Series B Convertible Preferred Stock Certificate of Designation as filed with the Secretary of State of Delaware on February 27, 2020. (h)</u></a>
3.1.3	<a href="#"><u>Certificate Eliminating the Series A Preferred Stock as filed with the Secretary of State of Delaware on February 27, 2020. (h)</u></a>
3.2	<a href="#"><u>By-Laws - Restated as Amended (a)</u></a>
4.1	<a href="#"><u>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)</u></a>
4.1.1	<a href="#"><u>Promissory Note, dated February 27, 2020, in the principal amount of \$3,742,500, issued by MariMed Inc. to Navy Capital Green Fund, LP. (h)</u></a>
4.1.2	<a href="#"><u>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. (h)</u></a>
4.1.3	<a href="#"><u>Senior Secured Commercial Promissory Note, dated April 23, 2020, in the principal amount of \$6,845,000, issued by MariMed Advisors, Inc. to Best Buds Funding LLC. (i)</u></a>
4.1.4	<a href="#"><u>12% Convertible Promissory Note, dated April 23, 2020, in the principal amount of \$900,000, issued by MariMed Inc. to Best Buds Funding LLC. (i)</u></a>
4.2	<a href="#"><u>Second Amended and Restated Promissory Note, dated June 24, 2020, in the principal amount of \$8,811,653.84, issued by MariMed Hemp Inc. and MariMed Inc. to SYYM LLC. (j)</u></a>
4.3	<a href="#"><u>Common Stock Purchase Warrant, dated of June 24, 2020, issued by MariMed Inc. to SYYM LLC. (k)</u></a>
10.1	<a href="#"><u>Employment Agreement dated as of August 30, 2012 between Worlds Online Inc. and Thomas Kidrin (a)</u></a>
10.2	<a href="#"><u>2011 Stock Option and Restricted Stock Award Plan (a)</u></a>
10.3	<a href="#"><u>Form of Convertible Debenture issued by the Company (c)</u></a>
10.4	<a href="#"><u>Form of Secured Convertible Debenture of GenCanna Global, Inc. (c)</u></a>
10.5	<a href="#"><u>Form of Securities Purchase Agreement between the Company and YA II PN, LTD. (c)</u></a>
10.6	<a href="#"><u>Amended and Restated Registration Rights Agreement dated as of November 5, 2018 between the Company and YA II PN, LTD. (c)</u></a>
10.7	<a href="#"><u>Amended and Restated 2018 Stock Award and Incentive Plan. (d)</u></a>
10.8	<a href="#"><u>Form of Stock Option Agreement, dated September 27, 2019, with each of David R. Allen, Eva Selhub, M.D., and Edward J. Gildea. (e)</u></a>
10.9	<a href="#"><u>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)</u></a>
10.10	<a href="#"><u>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. (h)</u></a>

10.11	<a href="#"><u>Note Extension Agreement, dated April 23, 2020, among Best Buds Funding LLC, as lender, and each of MariMed Inc., Mari Holdings MD LLC, and MariMed Advisors Inc., as the borrower parties. (i)</u></a>
10.12	<a href="#"><u>Amendment Agreement dated June 24, 2020, between SYYM LLC, as noteholder and collateral agent, and MariMed Inc. and MariMed Hemp Inc., as co-borrowers. (l)</u></a>
31.1.	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer *</u></a>
31.2.	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer *</u></a>
32.1.	<a href="#"><u>Section 1350 Certifications of Chief Executive Officer **</u></a>
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101.LAB XBRL	Taxonomy Extension Label Linkbase *
101.PRE XBRL	Taxonomy Extension Presentation Linkbase *
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) *

\* 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.
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- (l) Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on June 30, 2020.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Date: August 10, 2020

**MARIMED INC.**

By: /s/ Robert Fireman

Robert Fireman  
President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Jon R. Levine

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

## INDEX TO EXHIBITS

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## 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 10, 2020

*/s/ Robert Fireman*

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Robert Fireman  
Chief Executive Officer  
(Principal Executive Officer)

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## 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 10, 2020

*/s/ Jon R. Levine*

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

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**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 period ended June 30, 2020 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, the financial condition and result of operations of the Company.

Date: August 10, 2020

*/s/ Robert Fireman*

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Robert Fireman  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**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 period ended June 30, 2020 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, the financial condition and result of operations of the Company.

Date: August 10, 2020

*/s/ Jon R. Levine*

---

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

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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