



MARIMED INC.

2019 ANNUAL MEETING
NOTICE & PROXY STATEMENT
&
2018 ANNUAL REPORT



Dear Fellow Stockholders,

Over the past year, MariMed has grown significantly as it continued its transformation into a leading innovator in the cannabis and hemp industries.

We have driven growth with new brands, made strategic investments and acquisitions, effectively managed our client businesses, and further strengthened our board and executive team – all setting the stage for another year of growth ahead.

As reported in the enclosed fiscal 2018 Annual Report, our revenues in 2018 increased 95% to \$11.9 million, with adjusted EBITDA up 53% to \$2.4 million. Our growth has continued to accelerate in 2019, with revenues through June 30, 2019 up 481% from a year ago to \$29.2 million and adjusted EBITDA up 1,141% over the same period to \$6.3 million.

This strong first-half performance can be attributed to the company foreseeing and preparing for the tremendous market opportunities that have resulted from the passage of the federal Farm Bill last December that legalized hemp-based CBD at the federal level.

Last November, we formed a strategic partnership with GenCanna Global, the Kentucky-based national leader in the genetics and seed-to-sale of hemp-based CBD. We invested \$30 million in GenCanna to help fund their expansion, and we launched MariMed Hemp to create proprietary CBD brands and develop new distribution and marketing relationships. In February, we converted the investment into a 33.5% equity ownership interest in GenCanna.

These strategic moves led to MariMed Hemp's sale of hemp seeds to GenCanna, generating revenue of \$22.0 million in hemp in Q2 2019, with sales continuing at a lower level in the current quarter. We expect GenCanna, now one of the nation's largest hemp producers, to be our principle supplier of GMP-quality hemp CBD oil.

MariMed Hemp also began to build out its branded product line by acquiring a controlling interest in MediTaurus, which sells its Florance™ brand of CBD health and wellness products in the U.S. and Europe through online distributors, wholesalers, pharmacies and physicians.

Dr. Jokūbas Žiburkus, co-founder and CEO of MediTaurus, has joined us as our new chief innovation officer. An

award-winning professor of neuroscience with more than 25 years of biomedical training and experience, Dr. Žiburkus is an internationally recognized expert on the health effects of cannabis.

MariMed Hemp recently launched Hemp Engine™, an innovative, turn-key store-within-a-store marketing platform for retailers, complete with decision-support software and stocked with our CBD products.

Our core cannabis business has also continued to flourish, delivering organic growth and profitability over the last several quarters. For the first half of 2019, its revenue was up 43% from a year ago to \$7.2 million.

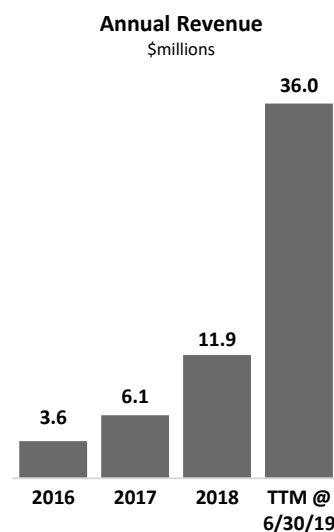
This growth reflects how our brands of precision-dosed cannabis products are in increasingly high demand. It also demonstrates how we are effectively developing and managing our state-licensed cannabis businesses. Our second largest grow facility in Massachusetts is expected to receive final approvals in the coming weeks.

We have also been steadily advancing the consolidation of our client companies that operate in six states. We expect these acquisitions to give us greater control over our seed-to-sale business and dramatically expand our revenue stream and margins.

Over the last year we have also continued the build out of our core branded cannabis lines by licensing leading brands, including most recently signing with Denver-based Binske® to distribute its popular cannabis products to several key markets east of the Mississippi.

We have enhanced our corporate governance with the recent appointment of a new independent board member, David Allen, who brings to us more than 22 years of experience as a director, CEO and CFO of public and private companies. David will chair the company's audit committee.

Reflecting our commitment to the highest financial standards and best practice for corporate governance, we recently qualified for up-listing to the OTCQX Best Market.



We expect this move to elevate our profile in the investment community, improve liquidity, and broaden our stockholder base.

As the result of our strategic initiatives, we now operate in two dynamic, fast-growing industries, cannabis and hemp, with both forecasted to grow at double-digit CAGR over the years to come.

The relationships we have built by being a reputable and dependable business partner continues to give us access to unique business opportunities, where our proven ability to move quickly and decisively can deliver outstanding results.

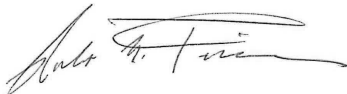
We plan to continue to invest in people, technology and brands to keep us at the forefront of our industries and grow stockholder value.

Much thanks goes out to our talented and hardworking MariMed team, from facilities and cultivating to marketing, sales and administration. They produced a transformative 2018 that laid the foundation for a strong first half of 2019 and continued growth for many years to come.

I would also like to express special thanks to our long-term stockholders whose support and encouragement has been the inspiration for our success.

Finally, to our new investors, thank you for joining us on this journey. We expect it will continue to be an exciting and rewarding experience.

Sincerely,



Robert Fireman
Chairman of the Board,
President & CEO



Important Caution Regarding Forward Looking Statements

This document contains certain forward-looking statements and information relating to MariMed Inc. that is based on the beliefs of MariMed Inc.'s management, as well as assumptions made by and information currently available to the Company. Such statements reflect the current views of the Company with respect to future events including estimates and projections about its business based on certain assumptions of its management, including those described in this Release. These statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict, including, among other factors, changes in demand for the Company's services and products, changes in the law and its enforcement and changes in the economic environment. Additional risk factors are included in the Company's public filings with the SEC. Should one or more of these underlying assumptions prove incorrect, actual results may vary materially from those described herein as "hoped," "anticipated," "believed," "planned," "estimated," "preparing," "potential," "expected," "looks" or words of a similar nature. The Company does not intend to update these forward-looking statements. None of the content of any of the websites referred to herein (even if a link is provided for your convenience) is incorporated into this release and the Company assumes no responsibility for any of such content.

Please see our press release issued on August 12, 2019 for management's discussion of adjusted EBITDA, a non-GAAP term, and its reconciliation to GAAP in the included tables. All trademarks and service marks are the property of their respective owners.

MARIMED INC.
10 Oceana Way
Norwood, MA 02062

Notice of Annual Meeting of Stockholders
To be held on September 26, 2019

August 26, 2019

To our Stockholders:

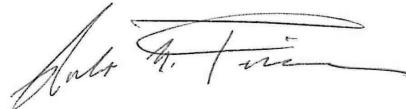
You are invited to attend the 2019 Annual Meeting of Stockholders of MariMed Inc. at 10:00 a.m., Eastern Daylight Time, on September 26, 2019, at the Hilton Boston/Dedham Hotel located at 25 Allied Drive, Dedham, Massachusetts 02026

The Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented at the meeting.

It is important that your shares be represented at this meeting to ensure the presence of a quorum. Whether or not you plan to attend the meeting, we hope that you will have your shares represented by signing, dating and returning your proxy in the enclosed envelope, which requires no postage if mailed in the United States, *as soon as possible*. Your shares will be voted in accordance with the instructions you have given in your proxy.

Thank you for your continued support.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert A. Fireman", written over a horizontal line.

Robert Fireman
Chairman, President and Chief Executive Officer

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**MARIMED INC.
10 Oceana Way
Norwood, MA 02062**

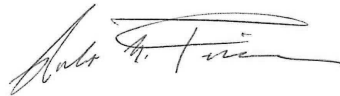
**Notice of Annual Meeting of Stockholders
To be held on September 26, 2019**

The Annual Meeting of Stockholders of MariMed Inc. (the “Company”) will be held at the Hilton Boston/Dedham Hotel located at 25 Allied Drive, Dedham, Massachusetts 02026, on September 26, 2019 at 10:00 a.m., Eastern Daylight Time, for the purpose of considering and acting upon the following:

1. The election of five (5) Directors to serve until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;
2. The approval of the Company’s Amended and Restated 2018 Stock Award and Incentive Plan;
3. The advisory approval of the appointment of M&K CPAs PLLC as the Company’s independent auditors for the fiscal year ending December 31, 2019; and
4. The transaction of such other business as may properly come before the meeting and any adjournment or adjournments thereof.

Holders of the Company’s outstanding shares of common stock of record at the close of business on August 7, 2019 are entitled to notice of and to vote at the meeting, or any adjournment or adjournments thereof. A complete list of such stockholders will be available for examination by any stockholder at the meeting. The meeting may be adjourned from time to time without notice other than by announcement at the meeting.

By order of the Board of Directors



Robert Fireman
Chairman, President and Chief Executive Officer

Norwood, Massachusetts
August 26, 2019

IMPORTANT: IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. THE PROMPT RETURN OF PROXIES WILL ENSURE A QUORUM AND SAVE THE COMPANY THE EXPENSE OF FURTHER SOLICITATION. EACH PROXY GRANTED MAY BE REVOKED BY THE STOCKHOLDER APPOINTING SUCH PROXY AT ANY TIME BEFORE IT IS VOTED. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOUR SHARES ARE REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH SUCH PROXY CARD SHOULD BE SIGNED AND RETURNED TO ENSURE THAT ALL OF YOUR SHARES WILL BE VOTED.

We appreciate your giving this matter your prompt attention.

**Important Notice Regarding Availability Of Proxy Materials
For The Annual Meeting of Stockholders To Be Held On September 26, 2019**
The proxy materials for the Annual Meeting, including the Annual Report and the Proxy Statement are also available at <https://stocktrack.simplyvoting.com>

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MARIMED INC.
10 Oceana Way
Norwood, MA 02062

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS To be held on September 26, 2019

Proxies in the form enclosed with this Proxy Statement are solicited by the Board of Directors (the “Board”) of MariMed Inc. (the “Company,” “we,” “us,” “our,” or any derivative thereof) to be used at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held at the Hilton Boston/Dedham Hotel located at 25 Allied Drive, Dedham, Massachusetts 02026, on September 26, 2019 at 10:00 a.m., Eastern Daylight Time, for the purposes set forth in the Notice of Meeting and this Proxy Statement. The Company’s principal executive offices are located at 10 Oceana Way, Norwood, Massachusetts 02062. The approximate date on which this Proxy Statement, the accompanying Proxy and the Company’s Annual Report for the year ended December 31, 2018 will be mailed to stockholders is August 26, 2019.

Important Notice Regarding Availability of Proxy Materials For The Annual Meeting of Stockholders To Be Held on September 26, 2019

The proxy materials for the Annual Meeting, including the Annual Report and the Proxy Statement are also available at <https://stocktrack.simplyvoting.com>

THE VOTING AND VOTE REQUIRED

Record Date and Quorum

Only stockholders of record at the close of business on August 7, 2019 (the “Record Date”) are entitled to notice of and to vote at the Annual Meeting. On the Record Date, we had 218,045,067 shares of common stock, par value \$.001 per share (“Common Shares”) outstanding. Each Common Share is entitled to one vote. Common Shares represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted as specified. Common Shares were our only voting securities outstanding on the Record Date. A quorum will be present at the Annual Meeting if stockholders owning a majority of the Common Shares outstanding on the Record Date are present at the meeting in person or by proxy.

Voting of Proxies

The persons acting as proxies (the “Proxyholders”) pursuant to the enclosed Proxy will vote the shares represented as directed in the signed proxy. Unless otherwise directed in the proxy, the Proxyholders will vote the shares represented by the Proxy: (i) for the election of the director nominees named in this Proxy Statement; (ii) for the approval of the Company’s Amended and Restated 2018 Stock Award and Incentive Plan (the “2018 Plan”); (iii) for the advisory approval of the appointment of M&K CPAs PLLC as the Company’s independent auditors for the year ending December 31, 2019 (the “Approval of Auditors”); and (iv) in their discretion, on any other business that may come before the Annual Meeting and any adjournments of the Annual Meeting.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. All shares represented by valid proxies will be voted in accordance with the instructions contained therein. In the absence of instructions, proxies will be voted FOR each of the stated matters being voted on at the Annual Meeting. A proxy may be revoked by the stockholder giving the proxy at any time before it is voted, by written notice addressed to and received by the Secretary of the Company or Secretary of the meeting, and a prior proxy is automatically revoked by a stockholder giving a subsequent proxy or attending and voting at the Annual Meeting. Attendance at the Annual Meeting, however, in and of itself does not revoke a prior proxy. In the case of the election of directors, shares represented by a proxy which are marked "WITHHOLD AUTHORITY" to vote for all director nominees will not be counted in determining whether a plurality vote has been received for the election of directors. Shares represented by proxies that are marked "ABSTAIN" on any other proposal will not be counted in determining whether the requisite vote has been received for such proposal. However, shares represented by proxies which are marked "WITHHOLD AUTHORITY" or "ABSTAIN" will be counted for quorum purposes.

Broker Non-Votes

A broker non-vote occurs when shares held by a broker are not voted with respect to a particular proposal because the broker does not have discretionary authority to vote on the matter and has not received voting instructions from its clients ("*broker non-votes*"). If your broker holds your shares in its name and you do not instruct your broker how to vote, your broker will only have discretion to vote your shares on "routine" matters. Where a proposal is not "routine," a broker who has not received instructions from its clients does not have discretion to vote its clients' uninstructed shares on that proposal. At the Annual Meeting, only the Approval of Auditors (Proposal No. 3) is considered a routine matter. All other proposals are considered "non-routine," and your broker will not have discretion to vote on those proposals. Broker non-votes will be counted towards determining whether or not a quorum is present.

Voting Requirements

Election of Directors. The election of the five director nominees will require the affirmative vote of a plurality of the votes cast by the holders of Common Shares present in person or represented by proxy to elect each nominee. Election by a plurality means that the director nominee with the most votes for a particular Board seat is elected for that seat.

Approval of the 2018 Plan and Advisory Approval of the Appointment of Independent Auditors. The affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote at the Annual Meeting is required to approve the 2018 Plan and the appointment of M&K CPAs PLLC as the Company's independent auditors for the fiscal year ending December 31, 2019. An abstention from voting on approval of auditors will be treated as "present" for quorum purposes. However, since an abstention is not treated as a "vote" for or against the matter, it will have no effect on the outcome of the vote on any of the matters.

Proposal No. 1 ELECTION OF DIRECTORS

Five directors are to be elected at the Annual Meeting. All directors hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified.

It is intended that votes pursuant to the enclosed proxy will be cast for the election of the five nominees named below. In the event that any such nominee should become unable or unwilling to serve as a director, the Proxy will vote for the election of an alternate candidate, if any, as shall be designated

by the Board. The Board has no reason to believe these nominees will be unable to serve if elected. Each nominee has consented to being named in this Proxy Statement and to serve if elected. All nominees, except Dr. Eva Selhub, are currently members of our Board. There are no family relationships among any of the executive officers, directors or directors nominees of the Company.

Our director nominees and their respective ages as of the Record Date are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert Fireman	70	President, Chief Executive Officer and Chairman
Jon R. Levine	54	Chief Financial Officer, Treasurer, Secretary and Director
Eva Selhub, M.D.	51	Director nominee
David Allen ⁽¹⁾	64	Director
Edward Gildea ⁽²⁾	67	Director

⁽¹⁾ Chairman of the Audit Committee.

⁽²⁾ Audit Committee Member.

Set forth below is a brief description of the background and business experience of our executive officers and directors:

Robert Fireman has served as our president and chief executive officer since July 2017. In addition, Mr. Fireman has been a director since our formation, and is a seasoned executive in the building of technology and consumer driven companies. Mr. Fireman was a founder and Director of Consumer Card Marketing, Inc., a pioneer in the development of retail loyalty marketing programs for the supermarket and drug store industries. This company was sold to News America Marketing, a division of News Corp. Mr. Fireman has been a practicing attorney for over 30 years. Mr. Fireman is also the CEO of our wholly-owned subsidiary, MariMed Advisors Inc., a director of Worlds Inc. and a former part owner of Sigal Consulting LLC. He has over ten years of experience in the emerging cannabis industry across the country. In February 2019, Mr. Fireman was appointed to GenCanna Inc.'s board of directors.

Jon R. Levine has served as our chief financial officer, treasurer, and secretary since July 2017 and has been a director since 2016. Mr. Levine has over nine years of experience in the cannabis industry. He brings over 18 years in commercial real estate development, management and financial services experience. Mr. Levine was a partner at Equity Industrial Partners, a national commercial real estate management group. He also has past experience in banking at USTrust Bank as an Asset Based Lender and in the leasing industry with AT&T Financial Services and New Court Financial as a senior credit officer. Mr. Levine also serves as the CFO of our wholly-owned subsidiary, MariMed Advisors Inc., and in that capacity he has been responsible for the management and reporting of most of the company's revenue and financial transactions. Mr. Levine is a former part owner of Sigal Consulting LLC.

Eva Selhub, M.D., a director nominee, is a board certified physician, speaker, scientist, executive leadership and performance coach, a consultant in the field of corporate wellness and resilience and an author. From August 1997 to November 2016, she served as an instructor and lecturer of medicine at Harvard Medical School. During this period, Dr. Selhub simultaneously held other positions at Tufts University, at Massachusetts General Hospital as well as other professional healthcare/medical organizations. From October

2006 to October 2017, she was a senior physician at Benson Henry Institute for Mind/Body Medicine at Massachusetts General Hospital. From August 2016 to present, she has been an adjunct scientist of neuroscience at Jean Mayer USDA Human Nutrition Research Center on Aging at Tufts University, one of six human nutrition research centers supported by the United States Department of Agriculture (USDA). Dr. Selhub received a Bachelor of Arts degree in anthropology from the Tufts University in 1989 and her M.D. degree from Boston University School of Medicine in 1994. Dr. Selhub's professional experience and background as a physician, scientist and in Mind-Body medicine will allow her to make valuable contributions to the Board and the expertise to serve as one of our directors.

David Allen, has been a director since June 2019. He brings over 22 years of experience as a Director, CEO and CFO of public companies. Presently he serves as Chief Financial Officer of Charlie's Holdings, Inc. (formerly known as True Drinks Holdings, Inc.). From September 2018 to May 2019, Mr. Allen served as Chief Financial Officer of Iconic Brands, Inc. Prior to that, from December 2014 to January 2018, Mr. Allen served as the Chief Financial Officer of WPCS International, Inc. From 2004 to 2017, Mr. Allen served as Chief Financial Officer of Bailey's Express, Inc., a privately held trucking corporation, which filed for Chapter 11 bankruptcy in July 2017. Mr. Allen currently serves as the Chapter 11 Plan Administrator for the bankruptcy case. From June 2006 to June 2013, Mr. Allen served as the Chief Financial Officer and Executive Vice President of Administration at Converted Organics, Inc., after serving as audit committee chair of the board of Converted Organics. Mr. Allen is currently an Assistant Professor of Accounting at Southern Connecticut State University (SCSU), a position he has held since 2017. For the 12 years prior, he was an Adjunct Professor of Accounting at SCSU and Western Connecticut State University. Mr. Allen is a licensed CPA and holds a bachelor's degree in Accounting and a master's degree in Taxation from Bentley College. Mr. Allen's background as a Director, CEO and CFO of public companies will allow him to make valuable contributions to the Board.

Edward. Gildea has been a director since our formation. Since February 2014, Mr. Gildea has been a partner in the law firm Fisher Broyles LLP. From 2006 to 2013, Mr. Gildea was President, Chief Executive Officer and Chairman of Converted Organics Inc., a publicly held green technology company that manufactured and sold an organic fertilizer, made from recycled food waste. Mr. Gildea contributes expertise in areas of mergers & acquisitions, strategic planning, funding, business development, and executive leadership. Mr. Gildea received a B.A. from The College of the Holy Cross and a J.D. from Suffolk University Law School. Mr. Gildea's executive business experience was instrumental in his selection as a member of the Board.

**The Board recommends a vote FOR the election of each of the director nominees
and proxies that are signed and returned will be so voted
unless otherwise instructed.**

* * * * *

EXECUTIVE OFFICERS

The following table identifies our current executive officers:

Name	Age	Capacity in Which Served	In Current Position Since
Robert Fireman ⁽¹⁾	70	President, Chief Executive Officer and Chairman	2017
Jon R. Levine ⁽¹⁾	54	Chief Financial Officer, Treasurer, Secretary and Director	2017

(1) Biographical information with respect to Messrs. Robert Fireman and Jon R. Levine is provided above.

Code of Ethics

We have adopted a code of ethic (the “*Code of Ethics*”) that applies to our principal chief executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics was filed as Exhibit 14.1 to a previous annual report and is posted on our website. The Code of Ethics was designed with the intent to deter wrongdoing, and to promote the following:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the Securities and Exchange Commission (“*SEC*”) and in other public communications we make;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

Director Independence

The Board has determined that Messrs. Edward Gildea and David Allen, and Dr. Eva Selhub are independent and represent a majority of its members. In determining director independence, the Board applies the independence standards set by the Nasdaq Stock Market (“*NASDAQ*”). In applying these standards, our Board considers all transactions with the independent directors and the impact of such transactions, if any, on any of the independent directors’ ability to continue to serve on our Board.

Board Committees

On August 15, 2019, the Common Shares began trading on the OTCQX® Best Market (“*OTCQX*”) tier of the OTC Markets Group. As such, with the exception of an audit committee, the Board is not required to establish any committees typically required of companies listed on the NASDAQ or other stock exchanges. On August 14, 2019, the Board established an audit committee (the “*Audit Committee*”) and appointed David Allen and Edward Gildea as committee members. Messrs. Allen and Gildea are both independent directors as such term is defined in section 5605(a)(2) of the NASDAQ rules. Mr. Allen was also appointed as the chairman of the Audit Committee and qualifies as the “audit committee financial expert” pursuant to Item 407(d)(5) of Regulations S-K.

With exception of the Audit Committee, the Board has not established any other committees of the Board. However, the Board has the authority to appoint committees to perform certain management and administrative functions, and intends to also establish a compensation committee (the “Compensation Committee”) and a corporate governance and nominating committee (the “Corporate Governance and Nominating Committee”). The Audit Committee has, and the Board expects that the Compensation Committee and the Corporate Governance and Nominating Committee will have, the responsibilities described below and be made up entirely of independent directors as such term is defined in section 5605(a)(2) of the NASDAQ rules. As of the date hereof, the responsibilities that will be delegated to the Compensation Committee and the Corporate Governance and Nominating Committee rest with the entire Board.

Audit Committee. The Audit Committee oversees our accounting and financial reporting processes, internal systems of accounting and financial controls, relationships with auditors and audits of financial statements. Specifically, the Audit Committee’s responsibilities include the following:

- selecting, hiring and terminating our independent auditors;
- evaluating the qualifications, independence and performance of our independent auditors;
- approving the audit and non-audit services to be performed by the independent auditors;
- reviewing the design, implementation and adequacy and effectiveness of our internal controls and critical policies;
- overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and other accounting matters;
- with management and our independent auditors, reviewing any earnings announcements and other public announcements regarding our results of operations; and
- preparing the report that the SEC requires in our annual proxy statement.

A copy of the Audit Committee charter is available on our website at www.marimedinc.com.

Compensation Committee. The Compensation Committee will assist the Board in determining the compensation of our officers and directors. The Compensation Committee will be comprised entirely of directors who satisfy the standards of independence applicable to Compensation Committee members established under 162(m) of the Code and Section 16(b) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Specific responsibilities will include the following:

- approving the compensation and benefits of our executive officers;
- reviewing the performance objectives and actual performance of our officers; and
- administering our stock option and other equity and incentive compensation plans.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will assist the Board by identifying and recommending individuals qualified to become members of the Board. Specific responsibilities will include the following:

- evaluating the composition, size and governance of our Board and its committees and making recommendations regarding future planning and the appointment of directors to our committees;
- establishing a policy for considering stockholder nominees to our Board;
- reviewing our corporate governance principles and making recommendations to the Board regarding possible changes; and
- reviewing and monitoring compliance with our code of ethics and insider trading policy.

During fiscal year 2018, the Board held one (1) meeting and all directors then in office were in attendance. It is the Company's policy that directors are invited and encouraged to attend the Annual Meeting.

Audit Committee Report

During the year ended December 31, 2018, we did not have a separately designated standing audit committee. Pursuant to Section 3(a)(58)(B) of the Exchange Act, the entire Board acted as the audit committee for the purpose of overseeing the accounting and financial reporting processes, and audits of our financial statements.

The Board retained our independent registered public accounting firm and approves in advance all permissible non-audit services performed by them and other auditing firms. Although management has the primary responsibility for the financial statements and the reporting process including the systems of internal control, the Board consulted with management and our independent registered public accounting firm regarding the preparation of financial statements, the adoption and disclosure of our critical accounting estimates and generally oversaw our relationship with our independent registered public accounting firm.

The Board reviewed our audited financial statements for the year ended December 31, 2018 and met with management to discuss such audited financial statements. The Board has discussed with M&K CPAs PLLC ("M&K"), our independent accountants, the matters required to be discussed pursuant to applicable auditing standards. The Board has received the written disclosures and the letter from M&K required by the Public Company Accountant Oversight Board regarding the independent accountant's communications with the Board concerning independence and has discussed with M&K its independence from us and our management. M&K had full and free access to the Board. Based on its review and discussions, the Board recommended that our audited financial statements for the year ended December 31, 2018 be included in our Annual Report on Form 10-K for the year then ended for filing with the SEC.

AUDIT COMMITTEE:

David Allen
Edward Gildea

The above report is not deemed to be "soliciting material," and is not "filed" with the SEC.

Board Nominations

Currently, we do not have a separately designated standing nominating committee. The entire Board acts as the nominating committee for the purposes of identifying and recommending director candidates. The Board is responsible for nominating director candidates for the annual meeting of

stockholders each year and will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the Board will take into consideration the needs of the Board and the qualifications of the candidate. The Board may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the Board, a stockholder must submit the recommendation in writing and must include the following information: (i) the name of the stockholder and evidence of the person's ownership of Company stock, (including the number of shares owned and the length of time of ownership); (ii) the name of the candidate; (iii) the candidate's resume or a listing of his or her qualifications to be a director of the Company; and (iv) the person's consent to be named as a director if selected and nominated by the Board.

The information described above must be sent to the Company's Chief Financial Officer at 10 Oceana Way, Norwood, Massachusetts 02062, on a timely basis in order to be considered by the Nominating and Corporate Governance Committee, within the time periods set forth in the "Stockholder Proposals" section below.

The Board may also receive suggestions from current Company directors, executive officers or other sources, which may be either unsolicited or in response to requests from the Board for such candidates. The Board also, from time to time, may engage firms that specialize in identifying director candidates.

Once a person has been identified by the Board as a potential candidate, it may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Board determines that the candidate warrants further consideration, the Chairman or another member of the Board may contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Board may request information from the candidate, review the person's accomplishments and qualifications and may conduct one or more interviews with the candidate. The Board may consider all such information in light of information regarding any other candidates that the Board might be evaluating for membership on the Board. In certain instances, the Board may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The Board's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although, as stated above, the Board may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Disclosure of Director Qualifications

The Board is responsible for assembling for stockholder consideration a group of nominees that, taken together, have the experience, qualifications, attributes, and skills appropriate for functioning effectively as a Board.

The Board believes that the minimum qualifications for service as a director are that a nominee possess an ability, as demonstrated by recognized success in his or her field, to make meaningful contributions to the Board's oversight of the business and affairs of the Company and an impeccable reputation of integrity and competence in his or her personal or professional activities. The Board's criteria for evaluating potential candidates include the following: (i) an understanding of the Company's business environment, (ii) the possession of such knowledge, skills, expertise and diversity of experience that would enhance the Board's ability to manage and direct the affairs and business of the Company and (iii) certain characteristics common to all Board members, including integrity, strong professional

reputation and record of achievement, constructive and collegial personal attributes, and the ability and commitment to devote sufficient time and energy to Board service.

In addition, the Board seeks to include on the Board a complementary mix of individuals with diverse backgrounds and skills reflecting the broad set of challenges that the Board confronts.

Board Leadership Structure

Robert Fireman has served as Chairman of the Board and Chief Executive Officer since July 2017. According to our By-Laws the roles of Chairman of the Board and Chief Executive Officer are held by the same person. Our Board regularly evaluates our leadership structure and determines the most appropriate structure based upon its assessment of our position, strategy, and our long-term plans. The Board also considers the specific circumstances we face and the characteristics and membership of the Board. At this time, the Board has determined that having Robert Fireman serve as both the Chairman and Chief Executive Officer is in the best interest of our stockholders. We believe this structure makes the best use of the Chief Executive Officer's extensive knowledge of our business and personnel, our strategic initiatives and our industry, and also fosters real-time communication between management and the Board.

The Board's Oversight of Risk Management

The Board recognizes that all companies face a variety of risks, including credit risk, liquidity risk, strategic risk, and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that we face, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board committee, (3) implement appropriate and responsive risk management strategies consistent with our risk profile, and (4) integrate risk management into our decision-making. The Board encourages, and management promotes, a corporate culture that incorporates risk management into our corporate strategy and day-to-day business operations. The Board also continually works, with the input of our management and executive officers, to assess and analyze the most likely areas of future risk for us.

Communications with Directors

The Board has established a process to receive communications from stockholders. Stockholders and other interested parties may contact any member (or all members) of the Board, or the non-management directors as a group by mail or electronically. To communicate with the Board, any individual director or any group of directors, correspondence should be addressed to the Board or any such individual directors or group of directors by either name or title. All such correspondence should be sent to c/o Secretary, MariMed Inc., 10 Oceana Way, Norwood, Massachusetts 02062.

All communications received as set forth in the preceding paragraph will be opened by the Secretary of the Company for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board will be forwarded promptly to the addressee. In the case of communications to the Board or any group of directors, the Secretary will make sufficient copies of the contents to send to each director who is a member of the group to which the envelope or e-mail is addressed.

COMPENSATION OF DIRECTORS

In 2018, the Board adopted a resolution to cease the practice of granting options to non-employee directors as compensation for serving on the Board, until such time as the Board reconsiders the compensation of non-employee directors following the stockholders' vote in connection with the 2018 Plan, anticipated to take place at the Annual Meeting. Previous to this resolution, a non-employee director received compensation in the form of five-year non-qualified stock options to purchase (i) 100,000 Common Shares for each year of service as a non-employee director, and (ii) 150,000 Common Shares upon first joining the Board.

The following table sets forth information concerning the compensation paid to each of our non-employee directors during 2018 for their services rendered as directors.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total (\$)
Bernard Stolar ⁽¹⁾	\$ 0	\$ 0	\$120,171	\$120,171
Edward Gildea ⁽²⁾	\$ 0	\$ 0	\$120,171	\$120,171
David Allen ⁽³⁾	\$ 0	\$ 0	-	-
Thomas Kidrin ⁽⁴⁾	\$ 0	\$ 0	\$60,801	\$60,801

⁽¹⁾ Mr. Stolar will not be standing for re-election as a director at the Annual Meeting. He held 100,000 stock options at December 31, 2018.

⁽²⁾ Mr. Gildea held 650,000 stock options at December 31, 2018.

⁽³⁾ Mr. Allen was appointed to the Board on June 25, 2019.

⁽⁴⁾ Mr. Kidrin resigned from the Board as of June 5, 2019. He held 100,000 stock options at December 31, 2018.

Executive Compensation

The following table sets forth the compensation paid by us during the fiscal periods ending December 31, 2018 and 2017, to our chief executive officer and chief financial officer (the “Named Executives”).

SUMMARY COMPENSATION TABLE ⁽¹⁾⁽²⁾

Name and principal position	Year	Salary	Bonus	Stock Awards	Option Awards ⁽⁵⁾	All Other Compensation	Total
Robert Fireman	2018	\$ 0	\$ 10,000	\$ 0	\$ 70,164	\$ 0	\$ 80,164
President and CEO ⁽³⁾	2017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Jon R. Levine	2018	\$ 0	\$ 10,000	\$ 0	\$ 86,355	\$ 0	\$ 96,355
CFO ⁽⁴⁾	2017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

⁽¹⁾ The compensation reported on the Table does not include other personal benefits, the total value of which do not exceed \$10,000.

⁽²⁾ Pursuant to the regulations promulgated by the SEC, the table omits columns reserved for types of compensation not applicable to us.

⁽³⁾ Mr. Fireman was named President and CEO of the Company in July 2017.

⁽⁴⁾ Mr. Levine was named CFO of the Company in July 2017.

⁽⁵⁾ Amounts represent the fair value of option awards valued on grant date using the Black-Scholes pricing model and recognized for financial reporting purposes during the year ended December 31, 2018.

Stock Option Grants

The following table sets forth information as of December 31, 2018 concerning unexercised options, unvested stock and equity incentive plan awards for the Named Executives.

OUTSTANDING EQUITY AWARDS AT YEAR-ENDED DECEMBER 31, 2018

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards:		Option Exercise Price (\$)	Option Expiration Date
			Number of Securities Underlying Unexercised Options Unearned	Options (#)		
Robert Fireman	100,000	-	-	-	\$ 0.08	12/20/19
Robert Fireman	100,000	-	-	-	\$ 0.13	06/29/20
Robert Fireman	100,000	-	-	-	\$ 0.14	12/31/19
Robert Fireman	100,000	-	-	-	\$ 0.14	12/31/20
Robert Fireman	100,000	-	-	-	\$ 0.63	12/31/21
Jon R. Levine	250,000	-	-	-	\$ 0.14	12/31/20
Jon R. Levine	100,000	-	-	-	\$ 0.14	12/31/20
Jon R. Levine	100,000	-	-	-	\$ 0.63	12/31/21

PROPOSAL 2

APPROVAL OF THE AMENDED AND RESTATED 2018 STOCK AWARD AND INCENTIVE PLAN

Introduction

At our Annual Meeting, we will ask stockholders to approve the Amended and Restated 2018 Stock Award and Incentive Plan (the "2018 Plan"). Our Board approved the 2018 Plan on August 14, 2019, subject to the approval of our stockholders.

The 2018 Plan is an "omnibus" plan, authorizing a variety of equity award types as well as cash and long-term incentive awards. We intend that the 2018 Plan will amend and restate the 2018 Stock Award and Incentive Plan (the "Original Plan"), which was approved by our Board on July 10, 2018, but never presented to stockholders for approval. Any grants made under the Original Plan prior to the date of the Board's approval of the 2018 Plan shall continue to be governed by the terms of the original plan.

The Board and its Compensation Committee (the "Committee") will seek to use the 2018 Plan to help us:

- Attract, retain, motivate and reward employees, non-employee directors and other persons who provide substantial services to the Company and its affiliates.
- Provide equitable and competitive compensation opportunities.
- Incentivize outstanding Company and individual performance with appropriate limitations on risk.
- Promote creation of long-term value for stockholders by closely aligning the interests of participants with the interests of stockholders and thereby promote the success of the Company's business.

The Board and the Committee believe that awards linked to Common Shares provide incentives for the achievement of important performance objectives and promote the long-term success of MariMed. Therefore, they view the 2018 Plan as a key part of our overall compensation program.

Shares To Be Available under Our Equity Compensation Plans

Information on the total number of shares available under our existing equity compensation plan and unissued shares deliverable under outstanding options as of the end of the last fiscal year is presented below under the caption "*Company Equity Compensation Plans*."

The following table shows the aggregate number of shares subject to currently outstanding equity awards under the 2011 Stock Option and Restricted Stock Award Plan (the "2011 Plan") and the 2018 Plan (our only current equity award plans) as of June 30, 2019 together with the shares that will be subject to outstanding awards and available for future awards if, at that date, the 2018 Plan were approved by stockholders and effective. If this proposal is approved, no further awards will be granted under the 2011 Plan, but awards will remain outstanding under the 2011 Plan and shares may be recycled in some cases if shares are not delivered to a participant under such awards:

Existing 2011 Plan:

Shares subject to outstanding awards ⁽¹⁾	<u>3,350,000</u>
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Existing 2018 Plan:

Shares subject to outstanding awards ⁽²⁾	<u>4,540,000</u>
Shares to be available for future awards ⁽³⁾	<u>34,965,000</u>

Total number of shares subject to outstanding awards and available for future awards under both plans	<u>42,855,000</u>
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Approximate percentage of outstanding shares (diluted) ⁽⁴⁾	<u>19.9 percent</u>
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⁽¹⁾ Includes 3,350,000 outstanding stock options with a weighted average exercise price of \$0.24 and a weighted average remaining term of two (2) months.

⁽²⁾ Includes 4,540,000 outstanding stock options with a weighted average exercise price of \$1.83 and a weighted average remaining term of four (4) years.

⁽³⁾ Assuming stockholder approval of the proposed 2018 Plan, the number of shares available for future awards would be the number set forth in this table. The shares would be available for all types of awards.

⁽⁴⁾ Calculated based on the total number of shares subject to outstanding awards and available for future awards under both the 2011 Plan and 2018 Plan (42,855,000 shares) divided by (a) the number of Common Shares outstanding as of June 30, 2019 (215,591,103 shares), plus (b) the total number of shares subject to outstanding awards and available for future awards under both the 2011 Plan and 2018 Plan (42,855,000).

Overview of 2018 Plan Awards

The 2018 Plan authorizes a broad range of awards, including:

- stock options;
- stock appreciation rights ("SARs");
- restricted stock, a grant of actual shares subject to a risk of forfeiture and restrictions on transfer;
- deferred stock, a contractual commitment to deliver shares at a future date; the award may or may not be subject to a risk of forfeiture (we generally refer to forfeitable deferred stock as "restricted stock units," but may be called "stock units," "phantom shares" or by another name);
- other awards based on Common Shares;
- dividend equivalents;
- performance shares or other stock-based performance awards (these include deferred stock or restricted stock awards that may be earned by achieving specific performance objectives);
- cash-based performance awards tied to achievement of specific performance objectives; and
- shares issuable in lieu of rights to cash compensation.

Reasons for Stockholder Approval

We seek approval of the 2018 Plan by stockholders as desirable and consistent with corporate governance best practices.

Restriction on Repricing; Reload Options; Loans

The 2018 Plan includes a restriction providing that, without stockholder approval, we will not amend or replace options or SARs previously granted under the 2018 Plan in a transaction that constitutes a "repricing." For this purpose, a "repricing" is defined as amending the terms of an outstanding option or SAR, including by means of a 2018 Plan amendment, to lower its exercise price, any other action that is treated as a repricing under generally accepted accounting principles or canceling an option or SAR at a time that its exercise price is equal to or greater than the fair market value of the underlying stock in exchange for another option, SAR, restricted stock, other equity, cash or other property, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. Adjustments to the exercise price or number of shares subject to an option or SAR to account for the effects of a stock split or other extraordinary corporate transaction will not constitute a "repricing."

In addition, the 2018 Plan:

- provides that no term of an option or SAR can provide for automatic "reload" grants of additional awards upon exercise; and
- prohibits personal loans from MariMed to a participant for payment of the exercise price or withholding taxes relating to any equity award.

Description of the 2018 Plan

The following is a brief description of the material features of the 2018 Plan. This description, including information summarized above, is qualified in its entirety by reference to the full text of the proposed 2018 Plan, a copy of which is attached to this Proxy Statement as Appendix A.

Shares Available under the 2018 Plan. Under the 2018 Plan, 40,000,000 shares are reserved for delivery to participants. Shares used for awards assumed in an acquisition do not count against the shares reserved under the 2018 Plan. The shares reserved may be used for any type of award under the 2018 Plan.

The 2018 Plan applies the following rules for counting shares and recapturing shares not delivered in connection with 2018 Plan awards: Shares actually delivered to participants in connection with an award will be counted against the number of shares reserved under the 2018 Plan. Shares will remain available for new awards if an award under the 2018 Plan expires, is forfeited, canceled, or otherwise terminated without delivery of shares or is settled in cash. Upon exercise of an option or SAR for shares, the number of shares deemed to be delivered under the Plan will be the full number of shares underlying the exercised award, regardless of any net delivery or any withholding of shares for taxes. Likewise, shares withheld from an award other than an option or SAR (sometimes referred to as a "full-value award") in payment of taxes will be deemed to have been delivered under the 2018 Plan. Under the 2018 Plan, awards may be outstanding relating to a greater number of shares than the aggregate remaining available so long as the Committee ensures that awards will not result in delivery and vesting of shares in excess of the number then available under the 2018 Plan. Shares delivered under the 2018 Plan may be either newly issued or treasury shares.

On August 16, 2019, the closing price of Common Shares on the OTCQX was \$1.49 per share.

Adjustments. Adjustments to the number and kind of shares subject to the share limitations (including annual per-person limits) are authorized in the event of a large and non-recurring dividend or distribution, recapitalization, stock split, stock dividend, reorganization, business combination, other similar corporate transaction, equity restructuring as defined under applicable accounting rules, or other similar event affecting the Common Shares. We are also obligated to adjust outstanding equity awards (and share-related performance terms, such as share-price targets) upon the occurrence of these types of events to preserve, without enlarging, the rights of the 2018 Plan participants with respect to their awards. The Committee may adjust performance conditions and other terms of awards in response to these kinds of events or to changes in applicable laws, regulations, or accounting principles.

Eligibility. Employees of MariMed and its affiliates, including officers, non-employee directors of MariMed, and consultants and others who provide substantial services to MariMed and its affiliates, are eligible to be granted awards under the 2018 Plan. As of June 30, 2019, approximately 45 persons were potentially eligible for awards under the 2018 Plan.

Administration. The Committee administers the 2018 Plan, except that the Board may itself act to administer the 2018 Plan, and the Board will approve awards to non-employee directors. References to the "Committee" here mean the Committee or the full Board exercising authority with respect to a given award. The 2018 Plan provides that the composition and governance of the Committee is established in the Committee's charter adopted by the Board. Subject to the terms and conditions of the 2018 Plan, the Committee is authorized to select participants, determine the type and number of awards to be granted and the number of shares to which awards will relate or the amount of a performance award, specify times at which awards will become vested or exercisable or be settled, including performance conditions that may be required for the award to be earned, set other terms and conditions of awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the 2018 Plan, and make all other determinations that may be necessary or advisable for the administration of the 2018 Plan.

Nothing in the 2018 Plan precludes the Committee from authorizing payment of other compensation, including bonuses based upon performance, to officers and employees, including the executive officers, outside of the 2018 Plan. The 2018 Plan authorizes the Committee to delegate authority to executive officers to the extent permitted by applicable law, but such delegation will not authorize grants of awards to executive officers without the participation by the Committee. The 2018 Plan provides that members of the Committee and the Board will not be personally liable, and will be fully indemnified, in connection with any action, determination or interpretation taken or made in good faith under the Plan.

Stock Options and SARs. The Committee is authorized to grant stock options, including both incentive stock options ("ISOs"), which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. SARs may also be granted, entitling the participant to receive the excess of the fair market value of a share on the date of exercise over the SAR's designated exercise price. The exercise price of an option or SAR is determined by the Committee, but may not be less than the fair market value of the underlying shares on the date of grant. The maximum term of an option or SAR is ten years. Subject to this limit, the times at which each option or SAR will be exercisable and provisions requiring forfeiture of unvested or unexercised options (and in some cases gains realized upon an earlier exercise) at or following termination of employment or upon the occurrence of other events generally are fixed by the Committee. Options may be exercised by payment of the exercise price in cash, shares having a fair market value equal to the exercise price or surrender of outstanding awards or other property having a fair market value equal to the exercise price, as the Committee may determine. This may

include withholding of option shares to pay the exercise price. The Committee also is permitted to establish procedures for broker-assisted cashless exercises. SARs may be exercisable for shares or for cash, as determined by the Committee, and the method of exercise and settlement and other and other terms of SARs will be determined by the Committee.

Restricted and Deferred Stock/Restricted Stock Units. The Committee is authorized to grant restricted stock and deferred stock. Prior to the end of the restricted period, shares granted as restricted stock may not be sold, and will be forfeited in the event of termination of employment in specified circumstances. The Committee will establish the length of the restricted period for awards of restricted stock. Aside from the risk of forfeiture and non-transferability, an award of restricted stock entitles the participant to the rights of a stockholder of MariMed, including the right to vote the shares and to receive dividends (which may be forfeitable or non-forfeitable), unless otherwise determined by the Committee.

Deferred stock gives a participant the right to receive shares at the end of a specified deferral period. Deferred stock subject to forfeiture conditions may be denominated as an award of restricted stock units. The Committee will establish any vesting requirements for deferred stock/restricted stock units granted for continuing services. One advantage of restricted stock units, as compared to restricted stock, is that the period during which the award is deferred as to settlement can be extended past the date the award becomes non-forfeitable, so the Committee can require or permit a participant to continue to hold an interest tied to Common Shares on a tax-deferred basis. Prior to settlement, deferred stock awards, including restricted stock units, carry no voting or dividend rights or other rights associated with stock ownership, but dividend equivalents (which may be forfeitable or, if the award does not have performance conditions, non-forfeitable) will be paid or accrue if authorized by the Committee, as further described below.

Other Stock-Based Awards, Stock Bonus Awards, and Awards in Lieu of Other Obligations. The 2018 Plan authorizes the Committee to grant awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to Common Shares. The Committee will determine the terms and conditions of such awards, including the consideration to be paid to exercise awards in the nature of purchase rights, the periods during which awards will be outstanding, and any forfeiture conditions and restrictions on awards. In addition, the Committee is authorized to grant shares as a bonus free of restrictions, or to grant shares or other awards in lieu of obligations under other plans or compensatory arrangements, subject to such terms as the Committee may specify.

Performance-based Awards. The Committee may grant performance awards, which may be awards of a specified cash amount or may be share-based awards. Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria as a condition of awards being granted or becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period of any length specified by the Committee.

The Committee retains discretion to set the level of performance for a given business criteria that will result in the earning of a specified amount under a performance award. These goals may be set with fixed, quantitative targets, targets relative to our past performance, targets compared to the performance of other companies, such as a published or special index or a group of companies selected by the Committee for comparison, or in such other way as the Committee may determine. The Committee may specify that these performance measures will be determined before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, or other financial and general and administrative expenses for the performance period.

Vesting, Forfeitures, and Related Award Terms; Change in Control. The Committee has discretion in setting the vesting schedule of options, SARs, restricted stock, deferred stock and other awards, the circumstances resulting in forfeiture of awards, the post-termination exercise periods of options, SARs and similar awards, and the events resulting in acceleration of the right to exercise and the lapse of restrictions, or the expiration of any deferral period, on any award.

Upon a “Change in Control,” the Committee can allow awards to remain outstanding or be assumed by a successor. This could include converting awards to become a right to receive the cash or property received by stockholders in the Change in Control. If awards continue or are assumed without an acceleration of vesting, the participant will have “double-trigger” protection if permitted by our regulators. If, however, the Committee does not provide for awards to be continued or assumed, or if double-trigger protective terms are barred by law or regulation at the time of the Change in Control, the awards will immediately vest and become exercisable or otherwise be paid out. In such case, if options or SARs are not “in-the-money,” they will be canceled with no consideration paid to the participant.

Other Terms of Awards. Awards may be settled in cash, shares, other awards or other property, in the discretion of the Committee. The Committee may require or permit participants to defer the settlement of all or part of an award, in accordance with such terms and conditions as the Committee may establish, including payment or crediting of interest or dividend equivalents on any deferred amounts. The Committee is authorized to place cash, shares or other property in trusts or make other arrangements to provide for payment of our obligations under the 2018 Plan. The Committee may condition awards on the payment of taxes, and may provide for mandatory or elective withholding of a portion of the shares or other property to be distributed in order to satisfy tax obligations. Awards granted under the 2018 Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that the Committee may permit transfers of awards other than ISOs on a case-by-case basis, but such transfers may not be to third parties for value.

The 2018 Plan authorizes the Committee to provide for forfeiture of awards and recoupment or “claw back” of award gains in the event a participant fails to comply with conditions relating to non-competition, non-solicitation, confidentiality, non-disparagement and other requirements for the protection of the our business, or adhering to standards of conduct in the preparation of financial statements and reports filed with the SEC, and for similar forfeitures if the attained level of performance was based on material inaccuracies in the financial or other information. Each award under the 2018 Plan will be subject to our claw back policy, as in effect at the time of grant of the award. Awards under the 2018 Plan may be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The Committee may, however, grant awards in substitution for, exchange for or as a buyout of other awards under the 2018 Plan, awards under our plans, or other rights to payment from us, and may exchange or buy out outstanding awards for cash or other property subject to the requirement that repricing of underwater options and SARs must be approved by stockholders. The Committee also may grant awards in addition to and in tandem with other awards, awards, or rights. In granting a new award, the Committee may determine that the in-the-money value or fair value of any surrendered award may be applied to reduce the purchase price of any new award, subject to the requirement that repricing transactions must be approved by stockholders.

Dividend Equivalents. The Committee may grant dividend equivalents. These are rights to receive payments equal in value to the amount of dividends paid on a specified number of Common Shares while an award is outstanding. These amounts may be in the form of cash or rights to receive additional awards or additional shares having a value equal to the cash amount. The awards may be granted on a stand-alone basis or in conjunction with another award, and the Committee may specify whether the dividend

equivalents will be forfeitable or non-forfeitable, except as noted below for performance-based awards. Rights to dividend equivalents may be granted in connection with restricted stock units or deferred stock, so that the participant can earn amounts equal to dividends paid on the number of shares covered by the award while the award is outstanding. Dividend equivalents relating to a performance-based award will be earnable only upon the achievement of the performance goals applicable to the award.

Amendment and Termination of the 2018 Plan. The Board may amend, suspend, discontinue, or terminate the 2018 Plan or the Committee's authority to grant awards thereunder without stockholder approval, except as required by law or regulation or under rules of the stock exchange on which our stock may then be listed, and except as explained above regarding repricing. The Committee can adopt amendments pertaining to matters within the scope of the Committee's authority under its Charter, but subject to stockholder approval to the same extent as a Board amendment. Unless earlier terminated, the authority of the Committee to make grants under the 2018 Plan will terminate ten years after stockholder approval of the 2018 Plan, and the 2018 Plan will terminate when no shares remain available and we have no further obligation with respect to any outstanding award.

Federal Income Tax Implications of the 2018 Plan

We believe that, under current law, 2018 Plan awards typically would have U.S. Federal income tax consequences as follows:

Generally, the grant of an option or an SAR will create no federal income tax consequences for the participant or MariMed. A participant will not have taxable income upon exercising an option that qualifies as an ISO, except that the alternative minimum tax may apply. A participant exercising an option that is not an ISO generally must recognize ordinary income equal to the excess of the fair market value of the option shares on the date of exercise minus the aggregate exercise price paid. Upon exercising an SAR, the participant must generally recognize ordinary income equal to the cash or the fair market value of the shares received.

Upon a disposition of shares acquired by exercise of an ISO before the end of the applicable ISO holding periods, the participant must generally recognize ordinary income equal to the lesser of (i) the fair market value of the ISO shares at the date of exercise minus the exercise price or (ii) the amount realized upon the disposition of the ISO shares minus the exercise price. Upon a disposition of ISO shares that the participant has held for the applicable holding periods (two years from the grant of the ISO and one year from the exercise), the participant will recognize no ordinary income. For all options, a participant's sale of shares acquired by exercise of the option generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax "basis" in such shares. The tax "basis" normally is the exercise price plus any amount he or she recognized as ordinary income in connection with the option's exercise (or upon sale of the option shares in the case of an ISO). A participant's sale of shares acquired by exercise of an SAR generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax "basis" in the shares, which normally is the amount he or she recognized as ordinary income in connection with the SAR's exercise.

We normally can claim a tax deduction equal to the amount recognized as ordinary income by a participant in connection with the exercise of an option or SAR, but no tax deduction relating to a participant's capital gains. Accordingly, we will not be entitled to any tax deduction with respect to an ISO if the participant holds the shares for the applicable ISO holding periods before selling the shares.

The above discussion applies to options and SARs that have terms causing them not to be deferral arrangements under Code Section 409A, with the shares delivered upon exercise being freely transferable and non-forfeitable (we expect that these will be the usual terms of options and SARs).

Awards other than options and SARs that result in a transfer to the participant of cash or shares or other property generally will have terms intended to meet applicable requirements under Section 409A, which regulates deferred compensation. If no restriction on transferability and substantial risk of forfeiture applies to shares or property distributed to a participant, the participant generally must recognize ordinary income equal to the cash or the fair market value of shares or other property actually received. Thus, for example, if an award of restricted stock units has not yet vested, or the receipt of cash or shares under a vested award has been validly deferred, the participant should not become subject to income tax until the time at which shares or cash are actually distributed, and we would become entitled to claim a tax deduction at that time.

On the other hand, if a restriction on transferability and substantial risk of forfeiture applies to shares or other property actually distributed to a participant under an award (such as, for example, a grant of restricted stock), the participant generally must recognize ordinary income equal to the fair market value of the transferred amounts at the earliest time either the transferability restriction or risk of forfeiture lapses. We can claim a tax deduction equal to the ordinary income recognized by the participant, except as discussed below. A participant may elect to be taxed at the time of grant of restricted stock or other restricted property rather than upon lapse of restrictions on transferability or the risk of forfeiture, but if the participant subsequently forfeits such shares or property he or she would not be entitled to any tax deduction, including as a capital loss, for the value of the shares or property on which he or she previously paid tax.

Any award that is deemed to be a deferral arrangement (that is, not excluded or exempted under the tax regulations) will be subject to Code Section 409A. Participant elections to defer compensation under such awards and as to the timing of distributions relating to such awards must meet requirements under Section 409A in order for income taxation to be deferred upon vesting of the award and tax penalties avoided by the participant.

Internal Revenue Code Section 162(m) limits the deductions a publicly held company can claim for compensation in excess of \$1.0 million in a given year paid to the chief executive officer, the chief financial officer and certain other of the most highly compensated executive officers. Compensation to certain employees resulting from vesting of awards in connection with a change in control or termination following a change in control also may be non-deductible under Internal Revenue Code Sections 4999 and 280G.

The foregoing provides only a general description of the application of federal income tax laws to certain awards under the 2018 Plan. This discussion is intended for the information of stockholders considering how to vote at the Annual Meeting and not as tax guidance to participants in the 2018 Plan, as the consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement and other circumstances. Different tax rules may apply, including in the case of variations in transactions that are permitted under the 2018 Plan (such as payment of the exercise price of an option by surrender of previously acquired shares). The summary does not address in any detail the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local or foreign tax laws.

The Board considers the Amended and Restated 2018 Stock Award and Incentive Plan to be in the best interests of the Company and its Stockholders and therefore recommends that you vote FOR approval of the plan at the Annual Meeting.

* * * * *

Company Equity Compensation Plans

The following table sets forth information as of December 31, 2018 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders ⁽¹⁾	3,400,000	\$ 0.24	0
Equity compensation plans not approved by stockholders ⁽²⁾	4,445,000	\$ 1.87	35,130,000
Total	7,845,000		35,130,000

⁽¹⁾ Consist of grants under the 2011 Plan.

⁽²⁾ Consist of grants under the 2018 Plan. A description of the 2018 Plan is included in Proposal 2, above, to this Proxy Statement and a copy of the 2018 Plan is attached to this Proxy Statement as Appendix A.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, all executive officers, directors, and each person who is the beneficial owner of more than 10% of the Common Shares of a company that files reports pursuant to Section 12 of the Exchange Act, are required to report the ownership of such Common Shares, options, and stock appreciation rights (other than certain cash-only rights) and any changes in that ownership with the SEC. Specific due dates for these reports have been established, and we are required to report, in this Proxy, any failure to comply therewith during the fiscal year ended December 31, 2018.

We believe that all of these filing requirements were satisfied by the Company's executive officers, directors and by the beneficial owners of more than 10% of our Common Shares except that one of our directors, Bernard Stolar, failed to file a Form 4 with respect to his sale of 43,305 Common Shares in October 2018. In making this statement, we have relied solely on copies of any reporting forms received by us, and upon any written representations received from reporting persons that no Form 5 (Annual Statement of Changes in Beneficial Ownership) was required to be filed under applicable rules of the SEC.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In May 2014, the Company, through its subsidiary MariMed Advisors Inc., acquired Sigal Consulting LLC from its ownership group which included the current CEO and CFO of the Company, Messrs. Robert Fireman and Jon Levine, respectively (the "*Sigal Ownership Group*"). The purchase price for the LLC was comprised of (i) 31,954,236 Common Shares valued at approximately \$5.9 million, representing 50% of the Company's outstanding shares on the closing date, (ii) options to purchase three million Common Shares, which expires in September 2019, with exercise prices ranging from \$0.15 to \$0.35, and valued at approximately \$570,000, and (iii) a 49% ownership interest in MariMed Advisors Inc.

In September 2016, the Company entered into a 15-year mortgage agreement with Bank of New England for the 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 the state (the "*2016 Mortgage*"). At December 31, 2018 and 2017, the principal balance on the 2016 Mortgage was approximately \$1.8 million and \$1.9 million, respectively. The 2016 Mortgage accrues interest at a rate equal to 5.25% per year through September 2021, and thereafter the rate adjusts every five years to the then prime rate plus 1.5% with a floor of 5.25% per year. The 2016 Mortgage is personally guaranteed by each of the CEO and CFO of the Company.

In June 2017, the Company reacquired the 49% ownership interest of MariMed Advisors Inc. from the Sigal Ownership Group in exchange for an aggregate 75 million Common Shares.

In October 2017, the Company acquired certain assets of the Betty's Eddies™ brand of cannabis-infused products from Icky Enterprises LLC, a company partially owned by the Company's chief operating officer. The purchase price was \$140,000 plus 1,000,000 Common Shares valued at \$370,000 based on the price of the Common Shares on the issuance date.

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 (the "*2017 Mortgage*"). At December 2018 and 2017, the principal balance on the 2017 Mortgage was approximately \$4.9 million and \$2.9 million, respectively. The 2017 Mortgage accrued interest at a rate

equal to the prime rate plus 2%, with a floor of 6.25%, per year from November 2017 to May 2019, and accrues interest a rate equal to the prime rate on May 2, 2019 plus 2%, with a floor of 6.25%, per year from May 2019 to May 2024, and at a rate equal to the prime rate on May 2, 2024 plus 2%, with a floor of 6.25%, per year from May 2024 through the end of the term of the 2017 Mortgage. The 2017 Mortgage is personally guaranteed by each of the CEO and CFO of the Company.

In December 2017 and January 2018, options to purchase 400,000 Common Shares at an exercise price of \$0.025 were forfeited by the CEO and by an independent Board member (200,000 shares forfeited by each individual).

In January 2018, the Company granted options to purchase an aggregate of 1.45 million Common Shares to Board members, at exercise prices ranging from \$0.14 to \$0.77 and expiring between December 2020 and December 2022. The fair value of these options on grant date was approximately \$458,000.

At June 30, 2019, December 31, 2018 and 2017, the Company owed approximately (i) \$0, \$81,000 and \$33,000, respectively, to the Company's CEO and CFO, (ii) \$17,000, \$135,000 and \$153,000, respectively, to companies partially owned by these officers, and (iii) \$60,000, \$60,000 and \$215,000, respectively, to two stockholders of the Company. Such amounts owed are not subject to repayment schedules and are expected to be repaid during 2019.

The Board intends to adopt a policy that prohibits any transaction between the Company and a related party unless the terms of that transaction are no less favorable to us than if we had entered into the same transaction with an unrelated party and the transaction is approved by an independent committee of the Board.

Security Ownership of Certain Beneficial Owners

The following table, together with the accompanying footnotes, sets forth information, as of the Record Date, regarding stock ownership of all persons known by us to own beneficially more than 5% of our outstanding Common Shares, Named Executives, all directors, all director nominees, and all directors and officers as a group:

Name & Address of Beneficial Owner ⁽¹⁾	Amount & Nature of Beneficial Owner	% of Class ⁽²⁾
Robert Fireman	23,755,218 ⁽³⁾	10.9%
Jon R. Levine	26,706,517 ⁽⁴⁾	12.2%
Edward Gildea	529,391 ⁽⁵⁾	*
Bernard Stolar	339,319	*
David Allen	-	-
Eva Selhub, M.D.	-	-
All directors and executive officers as a group (five (5) persons)	51,071,750 ⁽⁶⁾	23.5%
<i>Greater Than 5% Stockholders</i>		
Gerald McGraw	17,729,932	8.1%
James Griffin	17,179,932	7.9%

* Less than one percent.

(1) The business address for each person named is c/o MariMed Inc., 10 Oceana Way, Norwood, MA 02062.

(2) Calculated pursuant to Rule 13d-3(d)(1) of the Exchange Act whereby shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by a person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. We believe that each individual or entity named has sole investment and voting power with respect to the Common Shares indicated as beneficially owned by them (subject to community property laws where applicable) and except where otherwise noted. All percentages are determined based on 218,045,067 Common Shares outstanding as of the Record Date.

(3) Includes 500,000 currently exercisable stock options.

(4) Includes 450,000 currently exercisable stock options.

(5) Includes 400,000 currently exercisable stock options.

(6) Includes 1,350,000 currently exercisable stock options.

Proposal No. 3
ADVISORY APPROVAL OF THE APPOINTMENT OF INDEPENDENT AUDITORS

M&K has been our independent auditor since 2018. Their audit report appears in our annual report for the fiscal year ended December 31, 2018. One or more representatives of M&K is expected to be at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from our stockholders.

Selection of the independent accountants is not required to be submitted to a vote of our stockholders for advisory approval. The Board expects to appoint M&K to serve as independent auditors to conduct an audit of our accounts for the 2019 fiscal year. The Board is submitting this matter to our stockholders as a matter of good corporate practice. If the stockholders fail to vote on an advisory basis in favor of the selection, the Board will take that into consideration when deciding whether to retain M&K and may retain that firm or another without re-submitting the matter to the stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Board may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in our and our stockholders' best interests.

**The Board recommends a vote FOR this proposal
and proxies that are signed and returned will be so voted
unless otherwise instructed**

* * * * *

Independent Registered Public Accounting Firm Fees and Other Matters

Fees Billed for Audit and Non-Audit Services

The following table represents the aggregate fees billed for professional audit services rendered by the independent registered public audit firms of (i) L&L CPAs P.A. ("L&L") for the audit of the annual financial statements for the year ended December 31, 2017, and (ii) M&K for the audit of the annual financial statements for the years ended December 31, 2018.

The change of audit firms, as fully explained in our 8-K filing on December 6, 2018, was due to L&L's inability to rotate audit partners as required by Section 10A of the Exchange Act and Section 203 of the Sarbanes-Oxley Act of 2002. There were no disagreements with L&L on any matters, and no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K. L&L had issued "clean" audit opinions on the Company's financial statements.

On December 5, 2018, our Board engaged M&K to be the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018. The Company did not, nor did anyone on its behalf, consult M&K prior to its engagement regarding the application of accounting principles, the type of audit opinion that might be rendered, or any matter that was either the subject of a "disagreement" or a "reportable event," each as defined in Regulation S-K Item 304(a)(1)(v).

Audit and other fees of our independent registered public auditors are shown below.

	2018	2017
Audit fees ⁽¹⁾	\$ 61,000	\$ 54,000
Audit related fees ⁽²⁾	0	0
Tax fees ⁽³⁾	9,000	9,000
All other fees ⁽⁴⁾	0	0
Total Accounting Fees and Services	\$ 70,000	\$ 63,000

- (1) Audit Fees. These are fees for professional services for the audit of our annual financial statements, and for the review of the financial statements included in our filings on Form 10-Q, and for services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees. These are fees for the assurance and related services reasonably related to the performance of the audit or the review of our financial statements.
- (3) Tax Fees. These are fees for professional services with respect to tax compliance, tax advice, and tax planning.
- (4) All Other Fees. These are fees for permissible work that does not fall within any of the other fee categories, i.e., Audit Fees, Audit-Related Fees, or Tax Fees.

Pre-Approval Policy for Audit and Non-Audit Services

Until August 2019, we did not have a standing audit committee, and the full Board performed all functions of an audit committee, including the pre-approval of all audit and non-audit services before we engage an accountant. All of the services rendered to us by our independent registered public auditors were pre-approved by the Board.

MISCELLANEOUS

Other Matters

Management knows of no matter other than the foregoing to be brought before the Annual Meeting, but if such other matters properly come before the meeting, or any adjournment thereof, the persons named in the accompanying form of proxy will vote such proxy on such matters in accordance with their best judgment.

Reports and Consolidated Financial Statements

The Company's Annual Report for the year ended December 31, 2018, including our Audited Consolidated Financial Statements for the year then ended, are included with this proxy material. Such Report and Consolidated Financial Statements contained therein are not incorporated herein by reference and are not considered part of this soliciting material.

A copy of the Company's Annual Report on Form 10-K, without exhibits, will be provided without charge to any stockholder submitting a written request. Such request should be addressed to Jon Levine, Chief Financial Officer, MariMed Inc., 10 Oceana Way, Norwood, Massachusetts 02062.

Solicitation of Proxies

The entire cost of the solicitation of proxies will be borne by the Company. Proxies may be solicited by directors, officers and regular employees of the Company, without extra compensation, by telephone, telegraph, mail or personal interview. Solicitation is not to be made by specifically engaged employees or paid solicitors. The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxies and proxy material to the beneficial owners of its Common Shares.

Stockholder Proposals for Next Annual Meeting

Stockholders who intend to have a proposal considered for inclusion in our proxy materials for presentation at our next Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Exchange Act must submit the proposal to our Secretary at our offices at 10 Oceana Way, Norwood, Massachusetts 02062, in writing not later than April 29, 2020.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that only one copy of our proxy statement or annual report may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you call or write us at the following address or phone number: 10 Oceana Way, Norwood, Massachusetts 02062, (617) 795-5140. If you want to receive separate copies of the annual report and proxy statement in the future or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holders, or you may contact us at the above address and phone number.

The accompanying proxy is solicited by and on behalf of our Board and the entire cost of such solicitation will be borne by us.

In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegram by our directors, officers and other employees who will not be specially compensated for these services.

We will also request that brokers, nominees, custodians and other fiduciaries forward soliciting materials to the beneficial owners of shares held of record by such brokers, nominees, custodians and other fiduciaries. We will reimburse such persons for their reasonable expenses in connection therewith.

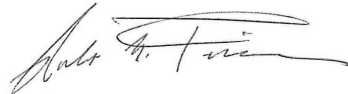
Certain information contained in this proxy statement relating to the occupations and security holdings of our directors and officers is based upon information received from the individual directors and officers.

WE WILL FURNISH, WITHOUT CHARGE, A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2018, INCLUDING FINANCIAL STATEMENTS AND SCHEDULES THERETO, BUT NOT INCLUDING EXHIBITS, TO EACH OF OUR STOCKHOLDERS OF RECORD ON THE RECORD DATE AND TO EACH BENEFICIAL STOCKHOLDER ON THAT DATE UPON WRITTEN REQUEST MADE TO OUR SECRETARY. A REASONABLE FEE WILL BE CHARGED FOR COPIES OF REQUESTED EXHIBITS.

PLEASE DATE, SIGN AND RETURN THE PROXY CARD AT YOUR EARLIEST CONVENIENCE IN THE ENCLOSED RETURN ENVELOPE. A PROMPT RETURN OF YOUR PROXY CARD WILL BE APPRECIATED AS IT WILL SAVE THE EXPENSE OF FURTHER MAILINGS.

EVERY STOCKHOLDER, WHETHER OR NOT HE OR SHE EXPECTS TO ATTEND THE ANNUAL MEETING IN PERSON, IS URGED TO EXECUTE THE PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE.

By order of the Board

A handwritten signature in black ink, appearing to read "Robert Fireman", written over a horizontal line.

Robert Fireman
*Chairman, President and Chief
Executive Officer*

Norwood, Massachusetts
August 26, 2019

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APPENDIX A
MARIMED, INC.
AMENDED AND RESTATED
2018 STOCK AWARD AND INCENTIVE PLAN

ARTICLE I
PURPOSE

1.1 Purpose. The purpose of the MariMed, Inc. 2018 Amended and Restated Stock Award and Incentive Plan (as may be amended from time to time, the “Plan”) is to strengthen the ability of MariMed, Inc. (the “Company”) to attract, motivate, and retain employees, directors and other service providers of superior ability, to more closely align the interests of such persons with those of the Company’s shareholders and to promote the success of the Company’s business.

ARTICLE II
GENERAL DEFINITIONS

In addition to terms defined in other Articles of the Plan, the following are defined terms for purposes of the Plan:

2.1 “Agreement” The written instrument (which may be in electronic form) evidencing the grant to a Participant of an Award. Each Participant may be issued one or more Agreements from time to time, evidencing one or more Awards.

2.2 “Award” Any award granted under this Plan.

2.3 “Board” The Board of Directors of the Company.

2.4 “Change in Control” A change in control shall be deemed to have occurred if, after the date of grant of a given Award, (i) any “Person” (as such term is used in §13(d) and §14(d) of the Exchange Act), except for any employee benefit plan of the Company or any Subsidiary, or any entity holding voting securities of the Company for or pursuant to the terms of any such plan (a “Benefit Plan” or the “Benefit Plans”), acquires beneficial ownership of Company voting securities and thereupon is the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities; (ii) there occurs a contested proxy solicitation of the Company’s shareholders that results in the contesting party obtaining the ability to vote securities representing 30% or more of the combined voting power of the Company’s then outstanding securities; (iii) there is consummated a sale, exchange, transfer or other disposition of substantially all of the assets of the Company to another entity, except to an entity controlled directly or indirectly by the Company, or a merger, consolidation or other reorganization of the Company in which the voting securities of the Company outstanding immediately prior to such event do not represent (either by remaining outstanding or by being converted into voting securities of a surviving or parent entity) at least 50% or more of the combined voting power of the outstanding voting securities of the Company or such surviving or parent entity (without a concentration of beneficial ownership that would trigger a change in control under clause (i) applying that provision to any surviving or parent entity), or a plan of liquidation or dissolution of the Company other than pursuant to bankruptcy or insolvency laws is adopted and implementation of such plan has commenced; or (iv) during any period of two consecutive years or less(commencing on or

after the date of grant of a given Award), individuals who at the beginning of such period constituted the Board, together with all new directors whose election or nomination during such period (other than any new director whose initial assumption of office during such period followed an actual or threatened election contest in which such new director challenged an incumbent or Board-approved nominee) was approved by a vote of at least two-thirds of the directors then still in office who were directors either at the beginning of the period or previously so approved (together, the “Continuing Directors”), cease for any reason to constitute at least a majority of the Board.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred for purposes of this Plan (x) in the event of a sale, exchange, transfer or other disposition of substantially all of the assets of the Company to, or a merger, consolidation or other reorganization involving the Company and, an entity controlled by one or more officers of the Company (separately from their role as Company officers) or in which such officers have, directly or indirectly, at least a 5% equity or ownership interest unrelated to any interest in the Company, or (y) in a transaction otherwise commonly referred to as a “management leveraged buyout.”

Notwithstanding the foregoing, the Board may, by resolution adopted by a majority of the Board and by at least two-thirds of the Continuing Directors who were in office at the date a Change in Control occurred, declare that a Change in Control [either under Item 6(e) of Schedule 14A or] in clause (i) or (ii) has become ineffective for purposes of this Plan if the following conditions then exist: (x) the declaration is made within 120 days of the Change in Control; and (y) no person, except for the Benefit Plans is the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company’s outstanding securities or has the ability or power to vote securities representing 10% or more of the combined voting power of the Company’s then outstanding securities. If such a declaration shall be properly made, the Change in Control shall be ineffective *ab initio*.

2.5 “Code” The Internal Revenue Code of 1986, as amended, and applicable regulations and rulings and guidance issued thereunder.

2.6 “Committee” The Compensation Committee of the Board (or a designated successor to such committee), the composition and governance of which is established in the Committee’s Charter as approved from time to time by the Board and subject to other corporate governance documents of the Company. No action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in the Committee Charter or this Plan.

2.7 “Common Stock” The common stock of the Company as described in the Company’s Articles of Incorporation, or such other stock as shall be substituted therefor.

2.8 “Company” MariMed, Inc., a Delaware corporation, or any successor to the Company.

2.9 “Date of Grant” The date on which the granting of an Award is authorized by the Committee, or such later date as is specified by the Committee or by a provision in this Plan applicable to the Award.

2.10 “Director” A member of the Board who is not an Employee.

2.11 “Disposition” Any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition of an Award, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and whether during the Participant’s lifetime or upon or after his or her death, including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment. A transfer or forfeiture of an Award to the Company is not a Disposition.

2.12 “Employee” Any employee of the Company or a Subsidiary.

2.13 “Exchange Act” The Securities Exchange Act of 1934, as amended, and applicable regulations and rulings issued thereunder.

2.14 “Fair Market Value” Unless otherwise determined in good faith by the Committee or under procedures established by the Committee, [the average of the reported high and low] [the closing] sales price of the Common Stock on the date on which Fair Market Value is to be determined (or if there was no reported sale on such date, the next preceding date on which any reported sale occurred) on the principal exchange or in such other principal market on which the Common Stock is trading.

2.15 “Full-Value Award” An Award relating to shares other than (i) Stock Options that are treated as exercisable for shares under applicable accounting rules and (ii) Awards for which the Participant pays the grant-date Fair Market Value of the shares covered by the Award directly or by electively giving up a right to receive a cash payment from the Company or a Subsidiary of an amount equal to the grant-date Fair Market Value of such shares.

2.16 “Incentive Award” An Award granted under Article IX denominated in cash and earnable based on performance measured over a specified performance period.

2.17 “Incentive Stock Option” A Stock Option intended to satisfy the requirements of Section 422(b) of the Code.

2.18 “Non-qualified Stock Option” A Stock Option other than an Incentive Stock Option.

2.19 “Participant” An Employee or Director selected by the Committee to receive an Award; such person remains a Participant until all obligations of the Company and of such person or his or her beneficiaries relating to the Award have been fulfilled or otherwise ended.

2.20 “Restricted Awards” Restricted Stock and Restricted Stock Units.

2.21 “Restricted Stock” Common Stock that is subject to restrictions and awarded to Participants under Article VIII of this Plan and any Common Stock purchased with or issued in respect of dividends and distributions on the Restricted Stock.

2.22 “Restricted Stock Units” Stock Units that may be subject to a risk of forfeiture or other restrictions and awarded to Participants under Article VIII of this Plan, including Stock Units resulting from deemed reinvestment of dividend equivalents on Restricted Stock Units.

2.23 “Retirement” Unless otherwise specified in [a Participant’s Award documents], employment separation from the Company or any of its Subsidiaries after attaining age 55 and at least 10 years of service with the Company and/or any of its Subsidiaries, provided that an employment separation at a time there exists grounds for the Company to terminate the Employee for cause (as defined by the Committee) will not constitute a Retirement. Unless otherwise determined by the Committee, service with a predecessor company shall be counted towards the calculation of an employee’s years of service with the Company and/or its Subsidiaries for purposes of this Plan. With respect to any Director Award, “Retirement” means termination of service to the Company as a Director.

2.24 “Rule 16b-3” Rule 16b-3 under the Exchange Act or any successor thereto.

2.25 “Securities Act” The Securities Act of 1933, as amended, and applicable regulations and rulings issued thereunder.

2.26 “Service Provider” A person providing services to the Company or a subsidiary in a capacity

other than as an Employee or Director (for example, a consultant or advisor), provided that Awards other than those under Article IX may be granted only to a natural person who qualifies as an “employee” within the meaning of General Instruction A.1(a)(1) to Form S-8 (or a successor provision) under the Securities Act.

2.27 “Stock Appreciation Right” An Award granted under Section 7.5.

2.28 “Stock Option” An award of a right to acquire Common Stock pursuant to Article VII.

2.29 “Stock Units” An unfunded obligation of the Company, the terms of which are set forth in Section 8.6.

2.30 “Subsidiary” Any majority-owned business organization of the Company or its direct or indirect subsidiaries, including but not limited to corporations, limited liability companies, partnerships and any “subsidiary corporation” as defined in Section 424(f) of the Code that is a subsidiary of the Company.

2.31 “Substitute Award” An Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a Subsidiary or affiliate or with which the Company or a Subsidiary or affiliate combines.

ARTICLE III

SHARES OF COMMON STOCK SUBJECT TO THE PLAN

3.1 Common Stock Authorized. Subject to the provisions of this Article and Article XI, the total aggregate number of shares of Common Stock that may be delivered pursuant to Awards shall not exceed 40 million shares. Each share delivered in connection with a Full-Value Award, and each share delivered or deemed to be delivered in connection with Stock Options or other non-Full-Value Awards, shall be counted against this limit as one share in accordance with Section 3.2.

3.2 Share Counting Rules. For purposes of the limitations specified in Section 3.1, the Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments in accordance with this Section 3.2. Shares shall be counted against those reserved to the extent that such shares have been delivered and are no longer subject to a risk of forfeiture, except that shares withheld to pay the exercise price or taxes upon exercise of a Stock Option (including a Stock Appreciation Right) or upon the vesting or settlement of any Award shall be deemed to be delivered for purposes of the limit set forth in Section 3.1. Accordingly, to the extent that an Award under the Plan is canceled, expired, forfeited, or otherwise terminated without delivery of shares to the Participant (and without delivery of cash in the case of an Award that was settleable potentially in shares or cash), the shares retained by or returned to the Company will not be deemed to have been delivered under the Plan. An Award that can be settled only in cash shall not count against the shares reserved under the Plan. The Committee may determine that Awards may be outstanding that relate to more shares than the aggregate remaining available under the Plan so long as Awards will not in fact result in delivery (or deemed delivery) and vesting of shares in excess of the number then available under the Plan. In addition, in the case of any Substitute Award, shares delivered or deliverable in connection with such Substitute Award shall not be counted against the number of shares reserved under the Plan.

3.3 Shares Available. The shares of Common Stock to be delivered under this Plan shall be made available from authorized and unissued shares of Common Stock.

ARTICLE IV

ADMINISTRATION OF THE PLAN

4.1 Committee. The Plan generally shall be administered by the Committee, subject to this Article IV. The Committee may act through subcommittees, including for purposes of perfecting exemptions under Rule 16b-3 under the Exchange Act, in which case the subcommittee shall be subject to and have authority under the charter applicable to the Committee, and the acts of the subcommittee shall be deemed to be acts of the Committee hereunder. The foregoing notwithstanding, the Board may perform any function of the Committee under the Plan, including for purposes of approving grants of Awards to Directors. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board, except where the context otherwise requires. The Committee may otherwise act through with members of the Committee abstaining or recusing themselves to ensure compliance with regulatory requirements or to promote effective governance, as determined by the Committee.

4.2 Powers. The Committee has discretionary authority to determine the Employees and Directors to whom, and the time or times at which, Awards shall be granted. The Committee also has authority to determine the amount of shares of Common Stock that shall be subject to each Award and the terms, conditions, and limitations of each Award, subject to the express provisions of this Plan. The Committee shall have the discretion to interpret this Plan and to make all other determinations necessary for Plan administration. The Committee has authority to prescribe, amend and rescind any rules and regulations relating to this Plan, subject to the express provisions of this Plan. All Committee interpretations, determinations, and actions shall be in the sole discretion of the Committee and shall be binding on all parties, including beneficiaries. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Agreement in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency. The Committee may specify that any Award will be settled in cash rather than by delivery of shares. To the fullest extent authorized under applicable provisions of the Delaware General Corporation Law, the Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation (i) will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company, (ii) will not result in a related-person transaction with an executive officer required to be disclosed under Item 404(a) of Regulation S-K (in accordance with Instruction 5.a.ii thereunder) under the Exchange Act, and (iii) is permitted under other applicable laws and regulations.

4.3 Agreements. Awards shall be evidenced by an Agreement and may include any terms and conditions not inconsistent with this Plan, as the Committee may determine.

4.4 No Liability. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel or other professional retained by the Company to assist in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegatee shall not be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, any Award or any Agreement, and any such person shall, to the extent permitted by law, be fully indemnified and protected by the Company

with respect to any such action, determination, or interpretation.

ARTICLE V

ELIGIBILITY

5.1 Participation. Participants shall be selected by the Committee from the Employees, Directors and Service Providers. Such designation may be by individual or by class.

5.2 Incentive Stock Option Eligibility. A Director shall not be eligible for the grant of an Incentive Stock Option. In addition, no Employee shall be eligible for the grant of an Incentive Stock Option who owns (within the meaning of Section 422(b) of the Code), or would own immediately before the grant of such Incentive Stock Option, directly or indirectly, stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Subsidiary.

ARTICLE VI

TYPES OF AWARDS; MINIMUM VESTING

6.1 Award Types. The types of Awards under this Plan are Stock Options as described in Article VII, Restricted Awards (Restricted Stock and Restricted Stock Units) as described in Article VIII, and Incentive Awards as described in Article IX. The Committee may, in its discretion, permit holders of Awards under this Plan to surrender outstanding Awards in order to exercise or realize the rights under other Awards subject to the restriction on repricing set forth in Section 13.2.

6.2 Minimum Vesting Requirements. Other provisions of the Plan notwithstanding, Awards (other than Awards that can be settled only in cash) shall vest no earlier than the first anniversary of the date on which the Award is granted; provided, however, that the following Awards shall not be subject to this minimum vesting requirement: any (i) Substitute Award; (ii) shares of Common Stock delivered in lieu of fully vested cash awards at the election of the Participant; (iii) Awards to non-employee Directors that vest at or after the earlier of the one-year anniversary of the date of grant or the next annual meeting of stockholders that is at least 50 weeks after the immediately preceding year's annual meeting; and (iv) any other Awards as designated by the Committee relating to not more than five percent (5%) of the aggregate shares reserved for grant under Section 3.1 (as adjusted under Section 11.1); and provided further that the foregoing restriction does not apply to the Committee's discretion to provide for accelerated exercisability or vesting of any Award in cases of death, disability or a Change in Control, in the terms of the Award Agreement or otherwise. In the case of Awards subject to the minimum vesting requirement and having proportionate vesting over a specified period, the proportionate vesting shall not apply during the initial year (so, for example, monthly vesting in the first year is not permitted for such Awards under the Plan).

ARTICLE VII

STOCK OPTIONS

7.1 Exercise Price. The exercise price of Common Stock under each Stock Option shall be not less than 100 percent of the Fair Market Value of the Common Stock on the Date of Grant, other than Stock Options issued as Substitute Awards.

7.2 Term. Stock Options may be exercised as determined by the Committee, provided that Stock Options may in no event be exercised later than ten years from the Date of Grant. During the Participant's

lifetime, only the Participant may exercise an Incentive Stock Option. The Committee may amend the terms of an Incentive Stock Option at any time to include provisions that have the effect of changing such Incentive Stock Option to a Non-qualified Stock Option, or vice versa (to the extent any such change is permitted by applicable law, and subject to Section 13.1 except that the change in tax treatment of the Stock Option shall not be deemed to be materially adverse to the Participant for purposes of Section 13.1).

7.3 Method of Exercise. Upon the exercise of a Stock Option, the exercise price shall be payable in full in cash or an equivalent acceptable to the Committee. No fractional shares shall be issued pursuant to the exercise of a Stock Option, and no payment shall be made in lieu of fractional shares. At the discretion of the Committee and provided such payment can be effected without causing the Participant to incur liability under Section 16(b) of the Exchange Act or causing the Company to incur additional expense under applicable accounting rules, the Committee may permit the exercise price to be paid by assigning and delivering to the Company shares of Common Stock previously acquired by the Participant or may require that, or permit the Participant to direct that, the Company withhold shares from the Stock Option shares having a value equal to the exercise price (or portion thereof to be paid through such share withholding). Any shares so assigned and delivered to the Company or withheld by the Company in payment or partial payment of the exercise price shall be valued at the Fair Market Value of the Common Stock on the exercise date. In addition, at the request of the Participant and to the extent permitted by applicable law, the Company in its discretion may approve arrangements with a brokerage firm under which such brokerage firm, on behalf of the Participant, shall pay to the Company the exercise price of the Stock Options being exercised, and the Company, pursuant to an irrevocable notice from the Participant, shall promptly deliver the shares being purchased to such firm.

7.4 Other Stock Option Terms. No dividend equivalent rights may be granted with respect to a Stock Option entitling the Participant to the economic benefit of dividends paid prior to the exercise of the Stock Option on the Common Stock underlying the Stock Option. With respect to Incentive Stock Options, the aggregate Fair Market Value (determined at the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all stock option plans of the Company and its Subsidiaries) shall not exceed \$100,000, or such other amount as may be prescribed under the Code. If any Stock Option intended to be an Incentive Stock Option fails to so qualify, including under the requirement set forth in this Section 7.4, such Stock Option (or the affected portion of the Stock Option) shall be deemed to be a Non-qualified Stock Option and shall be exercisable in accordance with the Plan and the Stock Option's terms.

7.5 Stock Appreciation Rights. A Stock Option may be granted with terms requiring the exercise price to be paid by means of the Company withholding shares subject to the Stock Option upon exercise, in which case such Award may be designated as a "Stock Appreciation Right." The Committee may, at the time of grant, specify that the Fair Market Value of the Stock Option shares deliverable upon exercise of such Award will be paid in cash in lieu of delivery of shares, such that the Award is a cash-settled Stock Appreciation Right.

ARTICLE VIII

RESTRICTED AWARDS

8.1 Types of Award. The Committee, in its discretion, is authorized to grant Restricted Awards either as Service Awards or Performance Awards. As used herein, the term "Service Award" refers to any Restricted Award described in Section 8.2 and the term "Performance Award" refers to any Restricted Award described in Section 8.3. Restricted Stock shall be nontransferable until such time as all of the restrictions underlying the Award have been satisfied, except to the extent permitted under Section 12.5.

8.2 Service Award. The Committee may grant shares of Restricted Stock or Restricted Stock Units to a Participant subject to forfeiture upon an interruption in the Participant's continuous service with the Company or a Subsidiary within a period specified by the Committee. The period during which Restricted Stock Units are subject to a risk of forfeiture may be shorter than the period during which settlement of the Restricted Stock Units is deferred. The foregoing notwithstanding, Stock Units granted with no minimum vesting period, as permitted on a limited basis under Section 6.2, shall be deemed to be Service Awards.

8.3 Performance Award. The Committee may grant Restricted Stock or Restricted Stock Units to a Participant subject to or upon the attainment of a performance objective based on such measure or measures of performance as the Committee may specify. In establishing the level of performance objective to be attained, the Committee may disregard or offset the effect of such items of income or expense and other factors as determined by the Committee. Notwithstanding attainment of the applicable performance objective or any provisions of this Plan to the contrary, the Committee shall have the power (which it may retain or may relinquish in the Agreement or other document), in its sole discretion, to impose service requirements required to be fulfilled by the Participant during the performance period or subsequent to the attainment of the performance objective.

8.4 Delivery. If a Participant, with respect to a Service Award, continuously remains in the employ of the Company or a Subsidiary for the period specified by the Committee, or, with respect to a Performance Award, if and to the extent that the Participant fulfills the requirements of the performance objective and any service requirements as may be imposed by the Committee, the related risk of forfeiture of shares awarded to such Participant as Restricted Stock shall lapse and any retained share certificates or other evidence of ownership shall be delivered to such Participant without any restrictions promptly after the applicable event, and the related risk of forfeiture applicable to Restricted Stock Units shall end and such Restricted Stock Units shall then and thereafter be settled in accordance with the terms of such Restricted Stock Units (including any elective deferral of settlement permitted by the Committee). The foregoing notwithstanding, the Committee may determine that any restrictions (and/or deferral period, to the extent permitted under Section 12.10) applicable to a Restricted Award shall be deemed to end or have ended on an accelerated basis at the time of the Participant's death while employed or serving as a Director or upon the Participant's termination of employment or service due to disability or Retirement or following a Change in Control, subject to Section 6.2.

8.5 Shareholder Rights. Except as otherwise provided in this Plan, each Participant shall have, with respect to all shares of Restricted Stock, all the rights of a shareholder of the Company, including the right to vote the Restricted Stock; provided, however, that, unless the Committee has provided for a different equitable treatment of dividends and distributions payable with respect to the Restricted Stock, all such dividends and distributions shall be retained by the Company and reinvested in additional shares of Common Stock to be issued in the name of the Participant. Any shares of Common Stock acquired as a result of reinvestment of such dividends or distributions shall also be Restricted Stock subject to the terms and conditions of this Plan (and if any other treatment of dividends and distributions is approved by the Committee, the amounts to be paid or credited to the Participant shall be subject to the same vesting terms and risk of forfeiture, including any performance conditions, as applied to the original Award; this requirement may not be altered by the Committee). A Participant shall have no rights of a shareholder relating to Restricted Stock Units or Stock Units until such time as shares are issued or delivered in settlement of such Restricted Stock Units or Stock Units.

8.6 Stock Units; Deferral of Receipt of Restricted Stock. A Stock Unit, whether or not restricted, shall represent the conditional right of the Participant to receive delivery of one share of Common Stock at a specified future date, subject to the terms of the Plan and the applicable Agreement. Until settled, a Stock Unit shall represent an unfunded and unsecured obligation of the Company with respect to which a

Participant has rights no greater than those of a general creditor of the Company. Unless otherwise specified by the Committee, each Stock Unit will carry with it the right to crediting of an amount equal to dividends and distributions paid on a share of Common Stock (“dividend equivalents”), which amounts will be deemed reinvested in additional Stock Units, at the Fair Market Value of Common Stock at the dividend payment date. Such additional Stock Units (or any alternative form of crediting dividend equivalents) will be subject to the same risk of forfeiture (this requirement may not be altered by the Committee), other restrictions, and deferral of settlement as applied to the original Stock Units. Unless the Committee determines to settle Stock Units in cash, Stock Units shall be settled solely by issuance or delivery of shares of Common Stock. The Committee may, in its sole discretion and subject to compliance with Code Section 409A, permit Participants to convert their Restricted Stock into an equivalent number of stock units as of the date on which all applicable restrictions pertaining to the Restricted Stock would either lapse or be deemed satisfied (the “Vesting Date”), or by means of an exchange of the Restricted Stock for Restricted Stock Units before the Vesting Date. Any such request for conversion must (a) be made by the Participant at a time a valid deferral may be elected under Code Section 409A and (b) specify a distribution date that is valid under Code Section 409A and in any case is no earlier than the earlier of (i) the Participant’s termination of employment or (ii) the first anniversary of the Vesting Date.

ARTICLE IX INCENTIVE AWARDS

The Committee, in its discretion, is authorized to grant Incentive Awards, which shall be Awards denominated as a cash amount and earnable based on achievement of a Performance Objective. The Committee may specify that an Incentive Award shall be settled in cash or in shares of Common Stock.

ARTICLE X FORFEITURE AND EXPIRATION OF AWARDS

10.1 Termination of Employment or Service. Subject to the express provisions of this Plan (including Section 6.2) and the terms of any applicable Agreement, the Committee, in its discretion, may provide for the forfeiture or continuation of any Award for such period and upon such terms and conditions as are determined by the Committee in the event that a Participant ceases to be an Employee or Director. In the absence of Committee action or except as otherwise provided in an Agreement, the following rules shall apply:

(a) With respect to Stock Options granted to Employees, Stock Options shall be exercisable only so long as the Participant is an employee of the Company or a Subsidiary, except that (1) in the event of Retirement, the Stock Options shall continue to vest according to the original schedule, but no Stock Options may be exercised after the expiration of the earlier of the remaining term of such Stock Options or 36 months following the date of Retirement (in such case, Incentive Stock Options will become Non-Qualified Stock Options three months following Retirement); (2) in the event of permanent and total disability, the Stock Options shall continue to vest according to the original schedule, but no Stock Options may be exercised after the expiration of the earlier of the remaining term of such Stock Option or 36 months following the date of permanent and total disability; (3) in the event of death while an Employee, Stock Options held at the time of death by the Participant shall vest and become immediately exercisable and may be exercised by the estate or beneficiary of such Participant until the expiration of the earlier of the remaining term of such Stock Options or 36 months following the date of death; (4) in the event of the Participant’s voluntary separation of employment (other than a Retirement) or involuntary separation of employment by the Company for cause (as defined by the Committee), the

Stock Options shall terminate and be forfeited as of the date of separation of employment; (5) in the event of the Participant's involuntary separation of employment not for cause (as defined by the Committee) with severance pay (other than severance pay paid in a lump sum), the Stock Option shall continue to vest according to the original schedule, but no Stock Options may be exercised after the earlier of the remaining term of the Option or the end of the period of the Participant's receipt of severance pay, if any, from the Company; and (6) in the event of an involuntary separation of employment without severance pay or if severance pay is paid in a lump sum, the Stock Option shall not be exercisable after the date of separation of employment; any portion of a Stock Option that is not vested at the time of permanent and total disability or any separation of employment and that would not vest and become exercisable during the period the Stock Option will remain outstanding under this Section 10.1(a) shall terminate and be forfeited as of the time of permanent and total disability or separation of employment, unless otherwise determined by the Committee within 45 days after such event; and

(b) With respect to Restricted Awards granted to Employees, in the event of a Participant's voluntary or involuntary separation before the expiration of the employment period specified by the Committee with respect to Service Awards, or before the fulfillment of the performance objective and any other restriction imposed by the Committee with respect to Performance Awards, any shares of Restricted Stock shall be returned to the Company and any Restricted Award shall be deemed to have been forfeited by the Participant as of the date of such separation.

10.2 Leave of Absence. With respect to an Award, the Committee may, in its sole discretion, determine that any Participant who is on leave of absence for any reason shall be considered to still be in the employ of the Company, provided that the Committee may, in its sole discretion, also determine that rights to such Award during a leave of absence shall be limited to the extent to which such rights were earned or vested when such leave of absence began or that vesting will be tolled during such leave of absence.

10.3 Additional Forfeiture Provisions. The Committee may condition a Participant's right to receive a grant of an Award, to exercise the Award, to receive a settlement or distribution with respect to the Award, to retain cash, Stock, other Awards, or other property acquired in connection with an Award, or to retain the profit or gain realized by a Participant in connection with an Award, upon compliance by the Participant with specified conditions that protect the business interests of the Company and its subsidiaries and affiliates from harmful actions of the Participant or otherwise conform to high standards of corporate governance, including but not limited to (i) conditions providing for such forfeitures in the event that Company financial statements are restated due to misconduct if the Participant bears substantial responsibility for such misconduct or if the restated financial information would have adversely affected the level of achievement of performance measures upon which the earning or value of the Participant's Award was based; and (ii) conditions relating to non-competition, confidentiality of information relating to or possessed by the Company, non-solicitation of customers, suppliers, and employees of the Company, cooperation in litigation, non-disparagement of the Company and its subsidiaries and affiliates and the officers, directors and affiliates of the Company and its subsidiaries and affiliates, and other restrictions upon or covenants of the Participant, including during specified periods following termination of employment or service to the Company. Accordingly, an Award may include terms providing for a recoupment, "clawback" or forfeiture from the Participant of the profit or gain realized by a Participant in connection with an Award, including cash or other proceeds received upon sale of Stock acquired in connection with an Award. References in the Plan or an Agreement to lapse of restrictions or risk of forfeiture do not apply to the additional forfeiture provisions authorized under this Section 10.3, unless the lapse of the forfeiture provisions under this Section 10.3 is specifically stated.

ARTICLE XI

ADJUSTMENT PROVISIONS

11.1 Share Adjustments. If the number of outstanding shares of Common Stock is increased, decreased or exchanged for a different number or kind of shares or other securities, or if additional, new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, spinoff or other distribution with respect to such shares of Common Stock or other securities, an appropriate adjustment in order to preserve the benefits or potential benefits intended to be made available to the Participants may be made, in the discretion of the Committee, in all or any of the following (i) the maximum number and kind of shares provided in Section 3.1; (ii) the number and kind of shares or other securities subject to then outstanding Awards; (iii) the price for each share or other unit of any other securities subject to then outstanding Awards; and (iv) the terms of performance goals based on per share metrics or otherwise affected by such events. The Committee may also make any other adjustments, or take such action as the Committee, in its discretion, deems appropriate in order to preserve the benefits or potential benefits intended to be made available to the Participants. In furtherance of the foregoing, in the event of an equity restructuring, as defined in FASB ASC Topic 718 that affects the Common Stock, a Participant shall have a legal right to an adjustment to the Participant's Award that will preserve without enlarging the value of the Award, with the manner of such adjustment to be determined by the Committee in its discretion, and subject to any limitation on this right set forth in the applicable Award Agreement. Any fractional share resulting from such adjustment may be eliminated. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including performance criteria) in recognition of unusual or nonrecurring events (including events described in this Section 11.1) affecting the Company, any Subsidiary or any business unit, or the financial statements of the Company or any Subsidiary, or in response to changes in applicable laws, regulations, accounting principles, tax rates or business conditions or in view of the Committee's assessment of the business strategy of the Company, any Subsidiary or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant, subject to the limitation in Section 12.15. If, in a transaction triggering an adjustment hereunder, public shareholders of the Company receive cash for their equity interest in the Company, an adjustment providing for cancellation of an Award in exchange for a cash payment based solely on the then intrinsic value of the Award shall be deemed to meet the requirements of this Section 11.1. Adjustments determined by the Committee shall be final, binding and conclusive.

11.2 Corporate Changes. Subject to Article XIII, upon (i) the dissolution or liquidation of the Company; (ii) a reorganization, merger or consolidation (other than a merger or consolidation effecting a reincorporation of the Company in another state or any other merger or consolidation in which the shareholders of the surviving Company and their proportionate interests therein immediately after the merger or consolidation are substantially identical to the shareholders of the Company and their proportionate interests therein immediately prior to the merger or consolidation) of the Company with one or more corporations, following which the Company is not the surviving Company (or survives only as a subsidiary of another Company in a transaction in which the shareholders of the parent of the Company and their proportionate interests therein immediately after the transaction are not substantially identical to the shareholders of the Company and their proportionate interests therein immediately prior to the transaction); (iii) the sale of all or substantially all of the assets of the Company; or (iv) the occurrence of a Change in Control, subject to the terms of any applicable Agreement, the Committee serving prior to the date of the applicable event may, to the extent permitted in Section 3.1 of this Plan (and subject to any applicable restriction on repricing under Section 13.2), in its discretion and without obtaining shareholder approval, take any one or more of the following actions with respect to any Participant:

- (a) accelerate the vesting and exercise dates of any or all outstanding Awards;
- (b) eliminate any and all restrictions with respect to outstanding Restricted Awards;
- (c) determine the level of achieved performance, projected full-performance period performance, or other specified level of performance to be deemed to be the level of achievement of the performance objective for any Performance Award;
- (d) pay cash to any or all holders of Stock Options in exchange for the cancellation of their outstanding Stock Options and cash out all outstanding Stock Units or Restricted Awards, provided that payment of consideration equivalent to the consideration received by shareholders, net of any exercise price payable with respect to the Award, shall be sufficient payment for the cash-out of an Award (for clarity, if a Stock Option had an exercise price in excess of such consideration, the Stock Option could be cancelled with no payment to the Participant);
- (e) modify the vesting terms of continuing, assumed or replaced awards to provide for vesting upon a Participant's subsequent termination not for cause or voluntary termination for good reason;
- (f) grant new Awards to any Participants; or
- (g) make any other adjustments or amendments to outstanding Awards or determine that there shall be substitution of replacement or new awards by such successor employer Company or a parent or subsidiary company thereof, with appropriate adjustments as to the number and kind of shares or units subject to such awards and prices.

11.3 Binding Determination. Adjustments under Sections 11.1 and 11.2 shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding and conclusive.

ARTICLE XII

GENERAL PROVISIONS

12.1 No Right to Employment. Nothing in this Plan or in any Agreement or instrument executed pursuant to this Plan shall confer upon any Participant (i) any right to continue in the employ of the Company or a Subsidiary or affect the Company's or a Subsidiary's right to terminate the employment of any Participant at any time with or without cause, or (ii) any right to continue to serve as a Director of the Company or affect any party's right to remove such Participant as a Director.

12.2 Securities Requirements. The Company shall not be obligated to issue or transfer shares of Common Stock pursuant to an Award unless all applicable requirements imposed by federal and state laws, regulatory agencies, and securities exchanges upon which the Common Stock may be listed have been fully complied with. As a condition precedent to the issuance of shares pursuant to the grant or exercise of an Award, the Company may require the Participant to take any reasonable action to meet such requirements.

12.3 No Right to Stock. No Participant and no beneficiary or other person claiming under or through such Participant shall have any right, title or interest in any shares of Common Stock allocated or reserved under this Plan or subject to any Award except as to such shares of Common Stock, if any, that have been issued or transferred to such Participant or other person entitled to receive such Common Stock under the terms of the Award.

12.4 Withholding. The Company or a Subsidiary, as appropriate, shall have the right to deduct from all Awards paid in cash any federal, state, or local taxes as required by law to be withheld with respect to such cash payments. In the case of Awards paid or payable in Common Stock, the Participant or other

person receiving such Common Stock may be required to pay to the Company or a Subsidiary, as appropriate, the amount of any such taxes which the Company or Subsidiary is required to withhold with respect to such Common Stock. Also, at the discretion of the Committee and provided such withholding can be effected without causing the Participant to incur liability under Section 16(b) of the Exchange Act, the Committee may require or permit the Participant to elect (i) to have the Company or Subsidiary withhold from the shares of Common Stock to be issued or transferred to the Participant the number of shares necessary to satisfy the Company's or Subsidiary's obligation to withhold taxes, such determination to be based on the shares' fair market value as of the date the Participant becomes subject to income taxation with respect to the Award, (ii) deliver sufficient shares of Common Stock (based upon the fair market value at the date of withholding) to satisfy the withholding obligations, or (iii) deliver sufficient cash to satisfy the withholding obligations. Participants who elect to use such a stock withholding feature must make the election at the time and in the manner prescribed by the Committee.

12.5 No Disposition. No Award under this Plan may be the subject of any Disposition (excluding shares of Common Stock with respect to which all restrictions have lapsed), other than by will or the laws of descent or distribution or, if permitted by the Company, pursuant to a valid beneficiary designation. Any attempted Disposition in violation of this provision shall be void and ineffective for all purposes. Notwithstanding the foregoing, the Committee may, in its sole discretion, permit a Participant to transfer an Award other than an Incentive Stock Option, for estate-planning purposes, to (a) a member or members of the Participant's immediate family, (b) a trust, the beneficiaries of which consist exclusively of members of the Participant's immediate family, (c) a partnership, the partners of which consist exclusively of members of the Participant's immediate family, or (d) any similar entity created for exclusive benefit of members of the Participant's immediate family; provided, however, that (i) such Disposition must be not for value, and (ii) no such transfer is authorized for an Award if and to the extent that such authorization would trigger tax penalties or taxation of the Award earlier than the delivery of cash or non-forfeitable shares to the Participant (or, if later, the lapse of the substantial risk of forfeiture of delivered shares).

12.6 Severability; Construction. If any provision of this Plan is held to be illegal or invalid for any reason, then the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. Headings and subheadings are for convenience only and not to be conclusive with respect to construction of this Plan.

12.7 Governing Law. All questions arising with respect to the provisions of this Plan shall be determined by application of the laws of the State of Delaware, except as may be required by applicable federal law.

12.8 Other Deferrals. Subject to Section 12.10, the Committee may permit selected Participants to elect to defer payment of Awards in accordance with procedures established by the Committee including, without limitation, procedures intended to defer taxation on such deferrals until receipt (including procedures designed to avoid incurrence of liability under Section 16(b) of the Exchange Act). Any deferred payment, whether elected by the Participant or specified by an Agreement or by the Committee, may require forfeiture in accordance with stated events, as determined by the Committee.

12.9 Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Award to a

Participant who is resident or primarily employed in the United States. The Committee is authorized to adopt subplans to achieve the purposes of this Section 12.9. An Award may have terms under this Section 12.9 that are inconsistent with the express terms of the Plan, including authorizing cash payments in lieu of issuance or delivery of shares, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is granted with or modified to provide such terms.

12.10 Compliance with Code Section 409A. Other provisions of the Plan notwithstanding, the terms of any Award that is deemed to be a deferral for purposes of Code Section 409A and that is held by an employee subject to United States federal income taxation (a “409A Award”), including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A. Terms of Awards shall be interpreted in a manner that, according to the character of the Award, results in an exemption from Code Section 409A or compliance with Code Section 409A. 409A Awards and Non-409A Awards will be subject to the Company’s “Compliance Rules Under Code Section 409A,” attached to this Plan as Appendix A.

12.11 No Loans to Participants; No Reload Awards. No credit shall be extended to Participants in the form of personal loans in connection with Awards, whether for purposes of paying the exercise price or withholding taxes or otherwise. Any amount due and payable to the Company by a Participant shall be immediately due and shall be paid as promptly as practicable. No term of an Award shall provide for automatic “reload” grants of additional Awards upon exercise of an Stock Option or otherwise as a term of an Award.

12.12 Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, and such other arrangements may be either applicable generally or only in specific cases.

12.13 Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation (excluding awards of Restricted Stock). With respect to any payments not yet made to a Participant or obligations to deliver shares pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, share, other Awards or other property, or make other arrangements to meet the Company’s obligations under the Plan. Such trusts or other arrangements shall be consistent with the “unfunded” status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

12.14 Approval of Section 83(b) Election; Participant to Give Notice of Disqualifying Disposition. No election by a Participant under Section 83(b) of the Code (to include in gross income in the year of grant the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the effectiveness of such election. If any Participant shall make any disposition of shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), the Participant shall notify the Company of such disposition within ten days thereof.

12.15 Certain Limitations Relating to Accounting Treatment of Awards. Other provisions of the Plan notwithstanding, the Committee’s authority under the Plan is limited to the extent necessary to

ensure that any Award of a type that the Committee has intended to be "share-based equity" (and not a "share-based liability") subject to fixed accounting with a measurement date at the time the award is initiated under FASB ASC Topic 718 shall not be deemed a share-based liability (subject to "variable" accounting) or subject to a measurement date later than the time the Award is initiated solely due to the existence of such authority, unless the Committee specifies otherwise in the Award Agreement or makes a decision during the life of the Award with explicit acknowledgment that the default accounting treatment under this Section 12.15 will be changed.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.1 Amendments; Suspension; Termination. The Board may at any time amend, suspend (and if suspended, may reinstate) or terminate this Plan; provided, however, that the Board may not, without approval of the shareholders of the Company, amend this Plan so as to (a) increase the number of shares of Common Stock subject to this Plan except as permitted in Article XI or (b) reduce the exercise price for shares of Common Stock covered by Stock Options granted hereunder below the applicable price specified in Article VII of this Plan or (c) make a material revision to the Plan within the meaning of Section 303A.08 of the Listed Company Manual of the New York Stock Exchange as then in effect. The Committee is authorized to amend the Plan to the extent such action is within the scope of the Committee's authority under its Charter, and subject to all other requirements that would apply if the Plan were being amended by action of the Board. The Committee is authorized to amend outstanding Awards, except as limited by the Plan. The foregoing notwithstanding, no amendment to the Plan or an Award Agreement or other action that materially and adversely affects the rights of a Participant under an outstanding Award may be made or taken without the consent of such Participant. The authority of the Committee to waive or modify an Award term after the Award has been granted does not permit waiver or modification of a term that would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification. Unless earlier terminated by action of the Board of Directors, the authority of the Committee to make grants under the Plan will terminate on the date that is ten years after the latest date upon which shareholders of the Company have approved the Plan (including approval of the Plan as amended and restated).

13.2 Restriction on Repricing. Without the approval of shareholders, the Committee will not amend or replace previously granted Stock Options (including Stock Appreciation Rights) in a transaction that constitutes a "repricing," which for this purpose means any of the following or any other action that has the same effect:

- Lowering the exercise price of a Stock Option after it is granted;
- Any other action that is treated as a repricing under generally accepted accounting principles;
- Canceling a Stock Option at a time when its exercise price exceeds the fair market value of the underlying Stock, in exchange for another Stock Option, a Restricted Award, other equity or other cash or property (such an action will be considered a repricing regardless of whether a replacement Award is delivered simultaneously with the cancellation, regardless of whether it is treated as a repricing under generally accepted accounting principles, and regardless of whether it is voluntary on the part of the Participant);

provided, however, that the foregoing transactions shall not be deemed a repricing if pursuant to an adjustment authorized under Section 11.1.

ARTICLE XIV

DATE OF PLAN ADOPTION; EFFECTIVENESS; PLAN TERMINATION

14.1 Date of Plan Adoption. This Plan was adopted by the Board on August 14, 2019, subject to the approval of the Company's shareholders within one year thereafter. The Plan shall continue in effect with respect to Awards granted before termination of the Committee's authority to grant new Awards under Section 13.1 (including authority to modify Awards to the fullest extent permitted under the Plan) until all outstanding Awards have been settled, terminated or forfeited and the Company and Participants have no further obligations or rights with respect to such Awards. Any Awards granted prior to the date that this Plan was amended and restated shall be governed by the terms of the Plan at the time of such grant.

Compliance Rules Under Code Section 409A

1. General Rules for Section 409A Compliance.

The following rules will apply to the Amended and Restated 2018 Stock Award and Incentive Plan (the “Plan”). Capitalized terms used herein have the definitions as set forth in the Plan. If so designated by the Committee, these Compliance Rules may be applied to any other specified

(a) *409A Awards and Deferrals.* Other provisions of the Plan notwithstanding, the terms of any 409A Award, including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The following rules will apply to Awards:

(i) *Elections.* If a Participant is permitted to elect to defer compensation and in lieu thereof receive an Award, or is permitted to elect to defer any payment under an Award, such election will be permitted only at times and otherwise in compliance with Section 409A.

(ii) *Changes in Distribution Terms.* The Committee may, in its discretion, require or permit on an elective basis a change in the distribution terms applicable to 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Section 409A) in accordance with, and to the fullest extent permitted by, applicable guidance of the Internal Revenue Service under Code Section 409A.

(iii) *Exercise and Distribution.* Except as provided in Section 1(a)(iv) hereof, no 409A Award shall be exercisable (if the exercise would result in a distribution) or otherwise distributable to a Participant (or his or her beneficiary) except upon the occurrence of one or more of the following (or a date related to the occurrence of one of the following), which must be specified in a written document governing such 409A Award and otherwise meet the requirements of Treasury Regulation § 1.409A-3.

(A) Specified Time. A specified time or a fixed schedule;

(B) Separation from Service. The Participant’s separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a “specified employee” under Treasury Regulation § 1.409A-1(i), settlement under this Section 1(a)(iii)(B) that otherwise would occur within six months after a separation from service shall instead occur at the expiration of the six-month period following separation from service under Section 409A(a)(2)(B)(i). During such six-month delay period, no acceleration of settlement may occur, except (1) acceleration may occur in the event of death of the Participant, (2), if the distribution date was specified as the earlier of separation from service or a fixed date and the fixed date falls within the delay period, the distribution shall be triggered by the fixed date, and (3) acceleration may be permitted otherwise if and to the extent permitted under Section 409A. In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period. With respect to any 409A Award, a reference in any agreement or other governing document to a “termination of employment” that triggers a distribution shall be

deemed to mean a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h);

(C) Death. The death of the Participant. Unless a specific time otherwise is stated for payment of a 409A Award upon death, such payment shall occur at a time compliant with Code Section 409A;

(D) Disability. The date the Participant has experienced a 409A Disability (as defined below); and

(E) 409A Change in Control. The occurrence of a 409A Change in Control (as defined below).

(iv) No Acceleration. The exercise or distribution of a 409A Award may not be accelerated prior to the time specified in accordance with Section 1(a)(iii) hereof, except in the case of one of the following events:

(A) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled;

(B) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code);

(C) Conflicts of Interest. Such 409A Award may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4)(iii); and

(D) Change. The Committee may exercise the discretionary right to terminate the Plan upon or within 12 months after a 409A Change in Control or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Award in any other circumstance permitted under Treasury Regulation § 1.409A-3.

(v) Definitions. For purposes of this Section 1, the following terms shall be defined as set forth below:

(A) "409A Change in Control" shall be deemed to have occurred if, in connection with any event defined as a change in control relating to a 409A Award under any applicable Company document, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of

the assets of the Company, as defined in Treasury Regulation § 1.409A-3(i)(5).

(B) “409A Disability” means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.

(C) “Unforeseeable Emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant’s property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).

(vi) Time of Distribution. In the case of any distribution of a 409A Award, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made within 60 days after the date at which the settlement of the Award is specified to occur. In the case of any distribution of a 409A Award during a specified period following a settlement date, the maximum period shall be 90 days, and the Participant shall have no influence (other than deferral elections permitted under Section 409A) on any determination as to the tax year in which the distribution will be made during any period in which a distribution may be made.

(vii) Determination of “Specified Employee.” For purposes of a distribution under Section 1(a)(iii)(B), status of a Participant as a “specified employee” shall be determined annually under the Company’s administrative procedure for such determination for purposes of all plans subject to Code Section 409A.

(viii) Non-Transferability. The provisions of the Plan notwithstanding, no 409A Award or right relating thereto shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant’s beneficiary.

(ix) Limitation on Setoffs. If the Company has a right of setoff that could apply to a 409A Award, such right may only be exercised at the time the 409A Award would have been distributed to the Participant or his or her beneficiary, and may be exercised only as a setoff against an obligation that arose not more than 30 days before and within the same year as the distribution date if application of such setoff right against an earlier obligation would not be permitted under Code Section 409A.

(x) 409A Rules Do Not Constitute Waiver of Other Restrictions. The rules applicable to 409A Awards under this Section 1(a) constitute further restrictions on terms of Awards set forth elsewhere in this Plan.

(b) *Separate Payments.* Unless otherwise specified in the applicable Award agreement, each vesting tranche of an Award shall be deemed to be a separate payment for purposes of Code Section

409A, and any portion of a vesting tranche that would vest on a pro rata basis in the event of a separation from service for the period from the date of separation in a given fiscal year to December 31 of that year and the portion that would vest pro rata for the period from the beginning of a calendar year to the end of the Company's fiscal year, and any remaining portion of such vesting tranche that would not so vest, each shall be deemed to be a separate payment for purposes of Code Section 409A.

(c) *Distributions Upon Vesting.* In the case of any Non-409A Award providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than the 15th day of the third month after the end of the fiscal year in which the substantial risk of forfeiture lapsed, and if a determination is to be made promptly following the end of a performance year (as in the case of performance shares) then the determination of the level of achievement of performance and the distribution shall be made between the start of the subsequent fiscal year and the 15th day of the third month of such subsequent fiscal year. In all cases, the Participant shall have no influence (aside from any deferral election permitted under Section 409A) on any determination as to the tax year in which the distribution will be made.

(d) *Limitation on Adjustments.* Any adjustment under the Plan shall be implemented in a way that complies with applicable requirements under Section 409A so that Non-409A Awards do not, due to the adjustment, become 409A Awards, and otherwise so that no adverse consequences under Section 409A result to Participants.

(e) *Release or Other Termination Agreement.* If the Company requires a Participant to execute a release, non-competition, or other agreement as a condition to receipt of a payment upon or following a termination of employment, the Company will supply to the Participant a form of such release or other document not later than the date of the Participant's termination of employment (if not date for such action otherwise is specified in documents relating thereto), which must be returned within the minimum time period required by law (or 21 days if no minimum period is so prescribed) and must not be revoked by the Participant within the applicable time period for revocation (if any) in order for the Participant to satisfy any such condition. If any amount constituting a deferral of compensation under Section 409A payable during a fixed period following termination of employment is subject to such a requirement and the fixed period would begin in one Participant tax year and end in the next tax year, the Company, in determining the time of payment of any such amount, will not be influenced by the timing of any action of the Participant including execution of such a release or other document and expiration of any revocation period. In such cases, the Company will pay any such amount in the subsequent tax year within the fixed period.

(f) *Special Disability Provision.* Unless otherwise provided in an applicable Award agreement or other governing document, in case of a disability of a Participant, (i) for any Award or portion thereof that constitutes a short-term deferral for purposes of Section 409A, the Company shall determine whether the Participant's circumstances are such that the Participant will not return to service, in which case such disability will be treated as a termination of employment for purposes of determining the time of payment of such Award or portion thereof then subject only to service-based vesting, and (ii) for any Award or portion thereof that constitutes a 409A Award, the Company shall determine whether there has occurred a "separation from service" as defined under Treasury Regulation § 1.409A-1(h) based on Participant's circumstances, in which case such disability will be treated as a separation from service for purposes of determining the time of payment of such Award or portion thereof then subject only to service-based vesting. In each case, the Participant shall be accorded the benefit of vesting that would result in the case of disability in the absence of this provision, so that the operation of this provision, intended to comply with Section 409A, will not disadvantage the Participant. The Company's determinations hereunder will be made within 30 days after the disability arises or there occurs a material

change in the Participant's condition that constitutes the disability. In the case of any short-term deferral, if (i) circumstances arise constituting a disability but not constituting a termination of employment, (ii) the Award would provide for vesting upon a termination due to disability, and (iii) the Award would not qualify as a short-term deferral if the Participant were then permitted to elect the time at which to terminate employment due to the disability, then only the Company will be entitled to act to terminate Participant's employment due to disability.

(g) *Limit on Authority to Amend.* The authority to adopt amendments under Section 10(e) does not include authority to take action by amendment that would have the effect of causing Awards to fail to meet applicable requirements of Section 409A.

(h) *Scope and Application of this Provision.* For purposes of the Plan and this Appendix, references to a term or event (including any authority or right of the Company or a Participant) being “permitted” under Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the Award prior to the distribution of cash, shares or other property (and the lapse of any applicable substantial risk of forfeiture) or to be liable for payment of interest or a tax penalty under Section 409A.

2. Deferral Election Rules.

If a participant in the Plan or any other plan, program or other compensatory arrangement (a “plan”) of the Company” is permitted to elect to defer awards or other compensation, any such election relating to compensation deferred under the applicable plan must be received by the Company prior to the date specified by or at the direction of the administrator of such plan (the “Administrator,” which in most instances will be the head of Human Resources for the Company). If the deferral constitutes a deferral of compensation for purposes of Code Section 409A, any such election to defer shall be subject to the rules set forth below, subject to any additional restrictions as may be specified by the Administrator. Under no circumstances may a Participant elect to defer compensation to which he or she has attained, at the time of deferral, a legally enforceable right to current receipt of such compensation.

(a) *Initial Deferral Elections.* Any initial election to defer compensation (including the election as to the type and amount of compensation to be deferred and the time and manner of settlement of the deferral) must be made (and shall be irrevocable) no later than December 31 of the year before the participant’s services are performed that will result in the earning of the compensation, except for initial deferral elections otherwise permitted under Treasury Regulation § 1.409A-2(a).

(b) *Further Deferral Elections.* In the case of any election to further defer an amount that is deemed to be a deferral of compensation subject to Code Section 409A (to the extent permitted under Company plans, programs and arrangements), such further deferral election shall comply with Treasury Regulation § 1.409A-2(b).

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

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

For the transition period from _____ to _____

Commission File number 0-54433

MARIMED INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(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:

Title of Each Class	Name Of Each Exchange On Which Registered
None	Not Applicable

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

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

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

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

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

<input type="checkbox"/> Large Accelerated Filer	<input checked="" type="checkbox"/> Accelerated Filer
<input type="checkbox"/> Non-Accelerated Filer	<input checked="" type="checkbox"/> Smaller reporting company
	<input checked="" type="checkbox"/> Emerging growth company

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of June 29, 2018 of \$2.31 per share, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$258.4 million.

At April 16, 2019, the issuer had outstanding 212,425,383 shares of Common Stock, par value \$.001 per share.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

PART I

ITEM 1. BUSINESS.

General

MariMed Inc. (“we”, “our”, “us”, “MariMed”, or the “Company”) is a leader in the emerging legal cannabis industry. During 2018, the Company made a strategic decision to transition from a professional management and advisory company that provides cannabis licensing, operational consulting, and real estate services, to a direct owner of cannabis licenses and operator of seed-to-sale operations.

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

The Company currently provides ongoing management oversight or real estate services to six independent operations in six states – Delaware, Illinois, Maryland, Massachusetts, Nevada, and Rhode Island. Since entering the cannabis industry, the Company has demonstrated an excellent track record in managing state-of-the-art, regulatory-compliant facilities for the cultivation, production, and dispensing of legal cannabis and cannabis-infused products.

It is the Company’s plan to ultimately consolidate the ownership of the six operating entities under the MariMed banner. The Company has started the consolidation process which is at various stages of completion due to the respective state laws governing cannabis license ownership. Once the consolidation is completed, the Company will own, manage, and operate cultivation, manufacturing and retail dispensary operations in these states. Moreover, the Company plans to leverage its success of providing management oversight in these markets to expand into other states, while focusing on regulatory compliance, efficiency and product performance.

Recognizing the emergence of the global hemp market, in late 2018, the Company purchased \$30 million of subordinated secured convertible debentures (the “GC Debentures”) from GenCanna Global Inc., a leading producer and distributor of agricultural hemp, cannabidiol (“CBD”) formulations, and hemp genetics (“GenCanna”). In February 2019, the Company converted the GC Debentures plus accrued interest through the conversion date into a 33.5% ownership interest in GenCanna on a fully diluted basis. Additionally, the Company established a wholly-owned subsidiary, MariMed Hemp Inc. in January 2019 to market and distribute hemp-derived CBD products across several vertical markets.

In addition, the Company has developed precision-dosed cannabis-infused products designed for specific medical conditions and related symptoms. These products are licensed under Company-owned brands such as Kalm Fusion™, Betty’s Eddies™, and Nature’s Heritage™, in the form of dissolvable strips, tablets, powders, microwaveable popcorn, fruit chews, and with more varieties in development. The Company also sublicenses several top brands including Lucid Mood™ disposable vape pens, Vitiprints™ printable dissolvable discs, and DabTabs™ revolutionary vaporization tablets infused with cannabis concentrates. The Company plans to continue licensing the best brands and products in the industry for distribution through its owned and client-leased dispensaries, as well as to other licensed producers in thousands of dispensaries across the country.

The Company’s operations have increased significantly over the past several years. For the year ended 2018:

- Revenues increased 95% from approximately \$6.1 million to \$11.9 million;
- Adjusted EBITDA (a non-GAAP financial measurement explained in *Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*) increased 53% from approximately \$1.6 million to \$2.4 million; and
- Total assets increased 158% from approximately 32.2 million to \$83.0 million.

These increases are in large part the result of the successes of Company-advised clients, whose revenues grew in excess of 50% from approximately \$12.2 million to \$18.5 million. As a result of the Company’s strategic decision to focus on owning and operating cannabis businesses, which will include the acquisition of these clients, management fees and rental income are expected to decline, and be replaced by significant operating revenues and earnings from the directly-owned seed-to-sale cannabis and hemp operations.

Over its short history, the Company has developed an excellent reputation for strong management in the cannabis industry. As a management company, MariMed’s clients have thrived and succeeded in their respective markets. The Company’s goal is to continue this success as it transitions from a manager and advisor to an owner of cannabis licenses and operator of cannabis businesses. The Company’s strengths can be summarized as follows:

Professional Management

We have had considerable success writing award-winning applications for clients applying for licenses in new and established legal cannabis states; creating and developing defined business, operating and security plans; sourcing real estate for cannabis facilities in receptive municipalities; and raising capital to purchase and develop facilities. These skills are important as the Company expands its footprint into new states on a direct ownership basis.

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

We have constructed numerous cannabis facilities in several states utilizing and developing industry “best practices” in all of our facilities, and our clients’ seed-to-sale operations in multiple states are examples of operational excellence under our proven management processes and practices.

Cannabis Brand Creation

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

Investment in Hemp Production

Our direct ownership in GenCanna, which we believe will become one of the largest hemp producers in the United States by the year 2020, will help ensure the Company has access to a safe and reliable source of hemp-based CBD. The market for hemp-based CBD products is expected to grow significantly over the next several years;

Technological and Scientific Innovation

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

Consolidation Plans

The Company's strategic shift involves the acquisition of the business operations and licenses of entities to which the Company provides advisory and real estate services. The following is an overview of the consolidation process:

Massachusetts

The Company successfully converted ARL Healthcare Inc. ("ARL"), its cannabis-licensed client, from a non-profit entity to a for-profit corporation with the Company as the sole shareholder. The Company now owns ARL and its cannabis licenses for cannabis cultivation, production and dispensing, with rights for up to nine statewide locations in both the medical and adult-use programs. The Company is constructing a 70,000 square foot state-of-the-art cultivation and production facility for ARL in New Bedford within the Company's 138,000 square foot facility purchased in 2017. ARL's manufactured cannabis products will be sold to licensed dispensaries throughout the state serving both the medical and adult-use markets.

The Company also owns a 22,700 square foot building in Middleborough in which a 10,000 square foot dispensary is planned to be open for business in May 2019. Furthermore, the Company intends to open two more dispensaries in the Boston area in 2019.

Maryland

The Company has entered into a memorandum of understanding to acquire Kind Therapeutics USA Inc. ("Kind"), its cannabis-licensed client that holds licenses for the cultivation, production, and dispensing of medical cannabis. The parties are finalizing a merger document to effectuate the transaction which is conditioned on the approval by the Maryland Medical Cannabis Commission, which is expected to occur in October 2019. Until then, the Company will continue to provide management and operational advisory services to Kind, whose operations are conducted within a 100,000 square foot cultivation and manufacturing facility within a Company-owned 180,000 square foot industrial building in Hagerstown. The large production capacity of this facility will enable the Company to take full advantage of a robust Maryland market consisting of over 100 planned dispensaries, most of which are not attached to a specific cultivator. Additionally, the Company has contracted to purchase a 9,000 square foot building in Anne Arundel County for the development of a dispensary, currently scheduled to open in late 2019.

Illinois

In October 2018, the Company entered into a purchase agreement to acquire the ownership interests of KPG of Anna LLC and KPG of Harrisburg LLC, the Company's two cannabis-licensed clients that operate Company-built and owned medical marijuana dispensaries in the state of Illinois (both entities collectively, the "KPGs"), from the current ownership group of the KPGs. As part of this transaction, the Company will also acquire this ownership group's interests in Mari Holdings IL LLC, the Company's subsidiary which owns the real estate in which the KPGs' dispensaries are located. The Company is currently awaiting approval for this transaction from the state, which is expected to be received in the near future. Additionally, the state is in the process of legalizing adult-use cannabis and will permit the Company to expand into two additional locations when such legalization occurs.

Nevada

In November 2018, the Company contracted to acquire 100% of the ownership interests of The Harvest Foundation LLC, the Company's cannabis-licensed client in the state of Nevada ("Harvest"). The acquisition is conditioned upon the approval of the state cannabis commission which is in process. Harvest holds both medical and adult-use cannabis licenses, and operates in approximately 10,000 square feet of an industrial building that the Company leases and has built out into a cannabis cultivation facility.

Delaware

Delaware currently is a not-for-profit state with regard to the ownership of cannabis licenses. The Company provides comprehensive management and real estate services to First State Compassion Center ("FSCC"), the Company's cannabis-licensed client which was awarded Delaware's first ever seed-to-sale medical cannabis license, and owns two out of the four statewide licenses.

FSCC operates out of a Company-owned 47,000 square foot seed-to-sale facility in Wilmington, and a Company-leased 4,000 square foot retail location in Lewes. The Company has recently signed a lease with an option to purchase a 100,000 square foot building in Milford, with plans to build another cultivation and production facility to serve the state's growing patient count.

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

Rhode Island

Rhode Island currently is a not-for-profit state with regard to the ownership of cannabis licenses. The Company is in negotiations to purchase the real estate which is leased to its cannabis-licensed client, the Thomas C. Slater Compassion Center ("Slater"). Subject to state approval, the Company intends to acquire the management company that oversees Slater's operations. After these transactions are completed, the Company will generate real estate and management fees until the state allows "for-profit" ownership, which is expected to occur in 2020. At that time, the Company will seek to acquire Slater's cannabis licenses and operations.

New Operations – Completed Transactions & Current Activities

GenCanna Global Inc.

In late 2018, the Company purchased the GC Debentures from GenCanna. In February 2019, the Company converted the GC Debentures plus accrued interest through the conversion date into common shares of GenCanna representing a 33.5% ownership interest in GenCanna on a fully diluted basis, and our CEO, Robert Fireman was appointed to GenCanna's board of directors.

In December 2018, the 2018 Farm Bill (the "Farm Bill") became law in the United States. Under the Farm Bill, industrial and commercial hemp is no longer classified as a Schedule I controlled substance, and explicitly allows interstate hemp commerce which will enable its legal transport and delivery across state lines.

GenCanna, based in Winchester, Kentucky, focuses on growing hemp with superior genetics and creating hemp-based products in accordance with the highest quality standards such as GMP (Good Manufacturing Practices) to ensure that wholesalers and consumers receive a consistent high-quality product to meet their wellness needs. GenCanna has also become a thought leader in the hemp industry, working closely with federal and local governmental regulatory authorities.

During the 2018 growing season, GenCanna had nearly 1,000 acres under contract and expects to increase that number significantly in 2019 in order to meet the growing demand for hemp-derived CBD. GenCanna is currently undertaking a major facility expansion in Kentucky in order to accommodate the rapid increase in production from the considerable increase in hemp acreage.

MariMed Hemp

To optimize its investment in GenCanna, the Company established MariMed Hemp Inc. in January 2019, a wholly-owned subsidiary to develop, market, and distribute hemp-based CBD brands and products, and to provide hemp producers with bulk quantities of hemp genetics and biomass. This entity is expected to offer a unique product line of high-quality hemp-based CBD wellness products eligible for distribution in all 50 states and reach a new customer base outside of the licensed-cannabis channel. This expansion into hemp-based CBD products reflects a growing consumer appetite for overall health and wellness products, and specifically those products which are CBD-based.

The rapid growth of legal cannabis and hemp-derived CBD markets presents a global paradigm shift and challenges to medical professionals and consumers who seek scientific knowledge and research regarding medical cannabis and hemp. Accordingly, in addition to the aforementioned objectives, one of MariMed Hemp's priorities will be to provide credible research-based information about the health benefits of cannabis and hemp to medical providers and their patients, many of whom express a strong and growing appetite for knowledge on this topic. Armed with this knowledge, such healthcare professionals and consumers will be able to effectively and safely choose from a broad, and potentially confusing, range of cannabis products.

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

Meditaurus

To facilitate our drive for greater science and education, the Company entered into an agreement in February 2019 to acquire a 70% interest in Meditaurus LLC. Meditaurus was established by Dr. Jokubas Ziburkas, a leading authority on hemp-based CBD and the endocannabinoid system. Dr. Ziburkas holds a PhD in Neuroscience, and currently serves as Associate Professor of Neuroscience at the University of Houston, where his research focused on cannabinoid actions in the brain and novel treatments for neurological disorders. He has published over 20 peer-reviewed articles and book chapters, and is regarded as a thought leader in the global cannabis industry.

Meditaurus has developed proprietary formulations for hemp-derived CBD, and currently operates in Lithuania and Texas. Its *Florance* brand, recently launched in Germany, is marketed globally on their website. This transaction includes the commitment of Dr. Ziburkas to become the Chief Innovation Officer of MariMed, and to assist MariMed Hemp in the marketing and distribution of *Florance* and newly-developed products throughout the United States and Europe.

Pipeline Transactions

MariMed is actively pursuing other growth opportunities to expand its asset portfolio in the medical and adult-use cannabis industries. While no assurance can be given that any of these opportunities will materialize, the Company is currently in various stages of dialog to invest in or acquire several domestic and foreign entities, along with such entities' licenses, brands and operations.

We are not disclosing the details of these pipeline transactions in order to maintain confidentiality. We will disclose such transactions when they are consummated.

Corporate History

The Company was originally incorporated in the state of Delaware in January 2011 as a wholly-owned subsidiary of Worlds Inc. (formerly Worlds.com Inc.) under the name Worlds Online Inc. In May 2011, Worlds Inc. commenced the spin-off of the Company, which was consummated after Securities and Exchange Commission ("SEC") review in May 2012.

The Company's initial ticker symbol was WORX, and since inception, the Company has operated an online portal that offers multi-user virtual environments to users. Over time, however, this business model declined, and consequently it has had insignificant operating activity since 2014. All of the underlying patents as well as the Company's license agreement from Worlds Inc. with respect thereto have expired, and we do not expect to be engaged in this business.

In early 2014, the Company transitioned its operational focus to the emerging cannabis industry. In order to quickly gain traction into this new space, in May 2014, the Company, through its wholly-owned subsidiary MariMed Advisors Inc., acquired Sigal Consulting LLC ("Sigal"), a company operating in the cannabis industry.

The purchase price paid to the former owners of Sigal consisted of (i) an aggregate amount of the Company's common stock equal to 50% of the outstanding shares on the closing date of September 29, 2014, (ii) options to purchase three million shares of the Company's common stock, exercisable over five years with exercise prices ranging from \$0.15 to \$0.35, and (iii) a 49% ownership interest in MariMed Advisors Inc.

During the first half of calendar 2017, the Company changed its name to MariMed Inc. and its ticker symbol to MRMD. Also during this time, the number of authorized shares of the Company's common and preferred stock were increased to 500 million and 50 million, respectively, and the Company purchased the remaining 49% interest in MariMed Advisors Inc. in exchange for 75 million shares of common stock.

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

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

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

In July 2018, the Company entered into a purchase agreement to acquire AgriMed Industries of PA LLC ("AgriMed"), an entity that holds a Pennsylvania license for the cultivation of cannabis and cannabis products that can be wholesaled to medical marijuana dispensaries within the state. In February 2019, the Company filed a complaint against AgriMed for specific performance of their obligations under the purchase agreement.

In August 2018, the Company purchased a 23% ownership interest in CVP Worldwide LLC d/b/a Sprout, an entity that provides a customer relationship management and marketing platform, branded under the name Sprout, specifically designed for companies in the cannabis industry.

In August 2018, the Company obtained the exclusive worldwide license from Vitiprints LLC to sublicense, use, develop, promote, sell or otherwise commercialize in any way a proprietary technology that produces precision-dosed cannabis products at multiple combinations of cannabinoids, terpenes, and nutrients, into a paper-thin, low-calorie, fast-absorbing product that is delivered sublingually, transdermally, or by drinking when dissolved in liquid, all at scale and at exceedingly reduced cost.

During the period September 2018 to November 2018, in a series of investments, the Company purchased an aggregate of \$30 million of subordinated secured convertible debentures of GenCanna. In February 2019, the Company converted the debentures plus accrued interest through the conversion date into a 33.5% equity interest on a fully diluted basis.

In October 2018, the Company entered into a purchase agreement to acquire KPG of Anna LLC and KPG of Harrisburg LLC, the Company's two cannabis-licensed clients that operate medical marijuana dispensaries in the state of Illinois (both entities collectively, the "KPGs"). As part of this transaction, the Company will also acquire the remaining minority interests of Mari Holdings IL LLC, the Company's subsidiary that owns the real estate where the KPGs' two dispensaries are located, from the KPGs' current ownership group. The parties are currently awaiting state approval of the transaction which is expected to be received in April 2019.

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

In November 2018, the Company entered into an agreement to acquire The Harvest Foundation LLC, the Company's client awarded a cannabis license for cultivation in the state of Nevada. The acquisition is conditional upon state approval which is expected to occur in May 2019.

In December 2018, the Company made a \$500,000 investment in Iconic Ventures Inc. which has developed DabTabs™, a revolutionary product that consists of a convenient portable tablet that delivers precise dosing and acts as a storage system for full spectrum cannabinoid vaporization. Additionally, the Company secured the exclusive distribution rights for six states and is in the process of beginning distribution in the state of Maryland.

In December 2018, the Company executed a memorandum of understanding to merge with its cannabis-licensed client in Maryland, Kind Therapeutics LLC. A merger agreement is currently being drafted for this transaction, which is intended to qualify as a tax-deferred reorganization under the Internal Revenue Code. The parties expect the merger agreement to be finalized, and the transaction approved by the state legislature in the fourth quarter of calendar 2019.

Business Activities

As previously described, the Company is in the process of transitioning from a fee for service business to a direct owner and operator of cannabis businesses across six states – DE, IL, NV, MD, MA, and RI. The Company has played a key role in the successes of these entities, from the securing of cannabis licenses to the development of facilities and providing operational guidance. Accordingly, the Company believes it is well suited to manage the continuing growth of these operations which the Company intends to ultimately own, recognizing that current ownership laws require modification in a subset of these locations.

A key reason for completing this transition is to present a simpler, more transparent financial picture to the investor community. Once the consolidation is complete, our financial statements will provide a clearer picture of the revenues, earnings, and other financial metrics that the Company is generating, rather than the current fee-for-service revenue model that reports only consulting and management fees, but obscures the true size of the Company's overall business.

Our team has developed state-of-the-art regulatory-compliant facilities which are models of excellence in horticultural principles, cannabis production, product development, and dispensary operations. We have developed proprietary operating processes and procedures that employ industry best practices. The Company intends to use its past success and expertise in applying for state regulated cannabis licenses to expand the footprint across the United States.

In addition, we are at the forefront of precision-dosed branded cannabis and hemp-derived products for the treatment of specific medical conditions. We currently enable our licensees to manufacture and distribute our branded products in ten states, and are expanding licensing and distribution to additional markets, encompassing thousands of dispensaries and additional retail outlets.

Cannabis remains a Controlled Substance under federal law which makes conventional funding difficult to obtain. However, the Company has thus far been successful in raising growth capital from private investors and funds.

The Company has developed a brand of cannabis-infused products that are designed to be precision-dosed for specific medical conditions and symptoms. These products are developed by the Company in cooperation with state-licensed facilities and operators who meet the Company's strict standards, including natural— not artificial or synthetic — ingredients. We license our product formulations only to knowledgeable manufacturing professionals who agree to adhere to our precise scientific formulations using our trademarked product recipes.

The Company's investment in one of the largest hemp producers in the US, GenCanna, and the introduction of MariMed Hemp, only solidifies the Company's position as an industry thought leader.

Business Structure

The Company's business has historically involved creating private limited liability companies to purchase real estate for the development of cultivation, processing, and dispensing facilities. These single-state LLCs are on occasion jointly owned by the Company and investors, with the share of ownership and the allocation of return negotiated on a deal specific basis. This structure was employed successfully in projects in Delaware, Illinois, Massachusetts, Maryland, and Nevada.

As of December 31, 2018, the Company developed and provided operational oversight to clients operating six cannabis facilities in Delaware, Illinois, Nevada, and Maryland, with five additional facilities currently being developed in Maryland and Massachusetts. The Company has also assisted clients to develop additional licensed facilities in other state licensed-programs.

However, as previously mentioned, the Company is currently in the process of acquiring its clients' licenses and operations. Once these acquisitions are complete, it is anticipated that all of these facilities and operations will be wholly-owned by the Company.

Alliances

The Company has entered into a licensing agreement with Tikun Olam USA, the first developer of medical cannabis products in Israel. The agreement provides the Company with the ability to sublicense certain medical cannabis genetics developed in Israel to our Delaware and Maryland clients.

A strategic relationship and licensing agreement between the Company and Chooze Corp. has made the Company the leading revenue generator in the United States for Chooze's cannabis-infused mood-enhancing products such as Lucid Mood™.

The Company also has a strategic relationship and exclusive distribution agreement with The Healer, an entity featuring products developed by Dr. Dustin Sulak, a nationally renowned cannabis practitioner. Dr. Sulak was recently featured on CNN's series with Dr. Sanjay Gupta on how cannabis can help patients addicted to opioids. The Healer's whole-plant filtration process is at the core of Dr. Sulak's quality formulations in The Healer's products, which the Company has funded and marketed in the Maryland Medical Cannabis program. The Healer's instore training to patient assistants and patients has been very successful in Maryland, and it intends to roll out this program in Delaware, Massachusetts, and several other states.

As previously mentioned, the Company has entered into an exclusive agreement to sublicense the innovative DabTabs™ portable tablets that deliver convenient, precisely-dosed full spectrum cannabinoid vaporization.

The Company's investment in Sprout, a customer relationship management and marketing platform designed for companies in the cannabis industry, will potentially connect the Company to hundreds of legal cannabis dispensaries. The Company intends to work with these dispensaries and Sprout to develop a database of patients that utilize cannabinoid medicines for their health and wellness, and which will allow interaction with these patients for marketing and education.

Competition

The Company is in a state of transition that we expect will make it one of the more prominent multi-state cannabis companies in the industry. While we have a competitive advantage – as we have incubated our clients and supported their growth from bottom up, and we have built our own brands and products – the capital currently being raised by competing companies on the Canadian Stock Exchange and through other means has created new multi-state operators who are investing millions of dollars to purchase licensed facilities in the United States.

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

Intellectual Property

The Company has currently filed for trademark protection for its branded product lines.

Our proprietary processing, and manufacturing techniques and technologies, while not patented at this time, are kept strictly confidential. We enter into and enforce confidentiality agreement with key employees and consultants to protect our IP and general know-how.

Employees

As of December 31, 2018, the Company expanded to a total of 28 employees, all of which were full-time. We retained a variety of supporting consultants and oversaw many employees of the cannabis-licensees we advise to implement our policies and procedures. Upon successful completion of the consolidation of business operations, the Company expects to add upwards of 400 additional employees.

ITEM 1A. RISK FACTORS

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

Risks related to our operations

Marijuana remains illegal under federal law.

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

Our continued growth is dependent on additional states legalizing marijuana.

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

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

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

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

The medical cannabis industry faces strong opposition from traditional medicines.

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

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

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

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

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

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

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

The market may not readily accept our products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

successfully integrated in a timely or cost-efficient manner, or at all.

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

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

Risks related to our common stock

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

We currently have approximately 212.4 million shares of common stock outstanding and we are authorized to issue up to 500 million shares. Therefore, we will be able to issue a substantial number of additional shares without obtaining shareholder approval. In the event we elect to issue additional shares of common stock in connection with any financing, acquisition or otherwise, current shareholders could find their holdings substantially diluted, which means they will own a smaller percentage of our company. In addition, we are authorized to issue up to 50 million shares of preferred stock that our board of directors can issue under any terms it wants and without any shareholder approval.

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

As of December 31, 2018, there were 8,310,000 and 10,606,211 of potentially dilutive securities in the form of options and warrants, respectively. Also as of such date, there were \$350,000 of convertible promissory notes, and approximately \$8.6 million of convertible debentures payable, that were potentially dilutive and whose conversion into common stock is based on a discount to the market value of common stock on or about the future conversion dates. More convertible securities will likely be granted in the future to our officers, directors, employees or consultants and as part of future financings. The exercise of outstanding stock options and warrants and conversion of notes and debentures will dilute the percentage ownership of our other shareholders. Sales, or the expectation of sales, of a substantial number of shares of our common stock in the private or public markets could adversely affect the prevailing market price of our common stock.

Potential Volatility of Common Share Price

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

- (a) the public's reaction to the Company's press releases, announcements and filings with regulatory authorities and those of its competitors;
- (b) fluctuations in broader stock market prices and volumes;
- (c) changes in market valuations of similar companies;
- (d) investor perception of the Company, its prospects or the industry in general;
- (e) additions or departures of key personnel;
- (f) commencement of or involvement in litigation;
- (g) changes in the regulatory landscape applicable to the Company, the dietary supplement and/or the cannabis and hemp industries;
- (h) media reports, publications or public statements relating to, or public perceptions of, the regulatory landscape applicable to the Company, the cannabis or the hemp industry, whether correct or not;
- (i) announcements by the Company or its competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;
- (j) variations in the Company's quarterly results of operations or cash flows or those of other comparable companies;
- (k) revenues and operating results failing to meet the expectations of securities analysts or investors in a particular period;

- (l) changes in the Company's pricing policies or the pricing policies of its competitors;
- (m) future issuances and sales of the Company's common stock;
- (n) sales of the Company's common stock by insiders of the Company;
- (o) third party disclosure of significant short positions;
- (p) demand for and trading volume of the Company's common stock;
- (q) changes in securities analysts' recommendations and their estimates of the Company's financial performance;
- (r) short-term fluctuation in stock price caused by changes in general conditions in the domestic and worldwide economies or financial markets; and
- (s) the other risk factors described in this section or other sections of this 10-K.

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable.

ITEM 2. PROPERTIES.

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

Wilmington, Delaware

The Company owns a 45,000 square foot facility on 2.25 acres within a fenced-in business park which we purchased in September 2016 and developed into a cannabis cultivation, processing, and dispensary facility. The facility is leased to a cannabis licensee company occupying 100% of the space under a 20-year triple net lease expiring in 2035.

Lewes, Delaware

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

Milford, Delaware

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

Anna, Illinois

In March 2016, the Company finalized construction of a 3,400 square foot free-standing retail dispensary on an acre of land. The facility is leased to a licensed cannabis dispensary under a 20-year lease expiring in 2036.

Harrisburg, Illinois

The Company finalized construction on a 3,400 square foot free-standing retail dispensary on an acre of land in February of 2016. The facility is leased to the same licensed cannabis tenant occupying the Anna facility under a 20-year lease expiring in 2036.

Hagerstown, Maryland

In January 2017, the Company purchased a long-standing 180,000 square foot former manufacturing facility. The building, which had remained vacant over a decade, was rehabilitated by the Company into a cultivation and processing facility for a licensed cannabis tenant under a 20-year triple net lease that started in January 2018.

Clark, Nevada

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

New Bedford, Massachusetts

In November 2017, the Company purchased a 138,000 square foot industrial property located on 21.95 acres within the New Bedford Industrial Park. Approximately half of the available square footage is leased to a non-cannabis manufacturing company under a five-year lease. The Company is developing the remaining half of the building into a cannabis cultivation and processing facility which is leased to ARL, our wholly-owned cannabis licensee under a 20-year triple net lease, the term of which will start after the completion of construction, which is estimated to occur in May 2019.

Middleborough, Massachusetts

In July 2017 the Company purchased a 22,700 square foot retail and warehouse building located on the main street of this municipality. We have constructed a 10,000 square foot retail dispensary which will be leased to the same cannabis licensee that leases our New Bedford facility under a 20-year lease starting mid-2019.

Norwood, Massachusetts

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

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

The Company's common stock began trading on the OTC Bulletin Board on May 2012 under the initial ticker symbol WORX. In June 2017, concurrent with the change of the Company name to MariMed Inc., the ticker symbol was changed to MRMD.

The Company's common stock currently trades on the OTCQB market under the MRMD ticker symbol.

Stockholders

As of April 16, 2019, we had 745 shareholders of record and 212,425,383 outstanding shares of common stock.

Dividends

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

Recent Sales of Unregistered Securities

All of the securities described below were issued to accredited investors in private transactions not involving a public offering or the payment of commissions, and were exempt from registration pursuant to Sections 4(2) and Regulation D of the Securities Act of 1933, as amended.

Common Stock

During the year ended December 31, 2018 the Company sold 19,188,980 shares of common stock at prices ranging from \$0.50 to \$3.00 per share, resulting in total proceeds of \$31.8 million. Also during this period, the Company issued 3,420,526 shares of common stock in exchange for services rendered by third-parties or to otherwise settle outstanding obligations.

Common Stock Subscribed But Not Issued

At December 31, 2018, there were outstanding subscriptions on 79,136 shares of common stock related to the settlement of a previously issued promissory note with a principal balance of \$50,000 and accrued interest of \$1,454. Also outstanding on such date were subscriptions on 18,000 shares of common stock, equivalent to an aggregate amount of \$74,160, for the payment of rent for the months of September 2018 through January 2019 for a leased property in Massachusetts.

Stock Options

During the year ended December 31, 2018, the Company issued options to purchase 4.72 million shares of common stock at exercise prices ranging from \$0.14 to \$3.73 and expiring between December 2020 and November 2024.

During the year ended December 31, 2018, options to purchase 760,000 shares of common stock were exercised at exercise prices ranging from \$0.08 to \$0.63 per share. Of the total exercised, (i) 460,000 options were exercised on a cashless basis, with the exercise prices paid via the surrender of 105,398 shares of common stock, and (ii) 300,000 options were exercised resulting in aggregate exercise proceeds to the Company of \$39,000.

Warrants

During the year ended December 31, 2018, the Company issued warrants to purchase 8,661,137 shares of common stock at exercise prices ranging from \$0.20 to \$5.50 per share. These warrants generally expire three or five years from issuance date.

During the year ended December 31, 2018, warrants to purchase 2,300,237 shares of common stock were exercised, at exercise prices ranging from \$0.10 to \$1.75 per share. Of the total exercised, (i) 1,000,000 warrants were exercised on a cashless basis, with the exercise prices paid via the surrender of 157,527 shares of common stock, and (ii) 1,300,237 were exercised providing the Company with exercise proceeds of approximately \$384,000 in the aggregate.

Convertible Debt

In October and November 2018, as disclosed in the notes accompanying the Company's audited financial statements, the Company sold an aggregate of \$10,000,000 convertible debentures bearing interest at the rate of 6% per annum that mature three years from issuance, with a 1% issue discount, resulting in net proceeds to the Company of \$9,900,000 (the "\$10M Debentures").

The holder of the \$10M Debentures (the "Holder") shall have the right at any time to convert all or a portion of the \$10M Debenture, along with accrued and unpaid interest, into the Company's common stock at conversion prices equal to 80% of a calculated average, as determined in the \$10M Debentures, of the daily volume-weighted price during the ten consecutive trading days preceding the date of conversion. Notwithstanding this conversion right, the Holder shall limit conversions in any given month to certain agreed-upon values 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).

Company Equity Compensation Plans

The following table sets forth information as of December 31, 2018 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders	3,400,000	\$ 0.24	0
Equity compensation plans not approved by stockholders	4,445,000	\$ 1.87	35,130,000
Total	7,845,000		35,130,000

In 2018, the Company's board of directors adopted the 2018 Stock Award and Incentive Plan which allows for the grants of up to 40 million shares of options, restricted stock and/or other awards, as defined in the plan, with a limit to the number of incentive stock option grants. This plan shall be presented to the Company's shareholders for approval at the next annual meeting of shareholders. The 4,445,000 securities to be issued under this plan were comprised of stock options granted to employees and directors of the Company from January 2018 to December 2018. Such options provide the grantees with the ability to purchase an aggregate of 4,445,000 shares of the Company's common stock at exercise prices ranging from \$0.14 to \$3.725 per share, expiring three to five years from date of grant.

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

Forward Looking Statements

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

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

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

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

Overview

General

We are a leader in the emerging legal cannabis industry. We provide ongoing management oversight and/or real estate services to independent cannabis-licensed operations in six states. We are experts in the development, operation, management and optimization of cannabis cultivation, production, and dispensing facilities.

During 2018, we made a strategic decision to transition from a professional management company that provides cannabis licensing, operational consulting, and real estate services, to a direct owner of cannabis licenses and an operator of seed-to-sale operations. During 2019 and beyond, we plan to acquire the cannabis licenses of the companies that we currently advise, and consolidate their operations under the MariMed banner. Additionally, we intent to leverage our success of providing management and operational oversight to expand into other states.

Currently, our facilities are leased to our cannabis-licensed clients. Our team acquires land and/or real estate for the purpose of developing state-of-the-art, regulatory-compliant legal cannabis facilities. These facilities are models of excellence in horticultural principals, cannabis production, product development, and dispensary operations. In addition to these real estate services, we provide our clients with operational oversight, and with legal, accounting, human resources, and other corporate and administrative services.

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

Please refer to the section above entitled *Item 2. Properties* for a description of our active and currently in-development facilities.

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

The Company also has exclusive sublicensing rights in certain states to distribute vaporizer pens developed by Lucid Mood™, clinically-tested medicinal cannabis strains developed in Israel by world-renowned Tikun Olam™, Vitiprints™ printable dissolvable discs, and DabTabs™ revolutionary vaporization tablets infused with cannabis concentrates. The Company continues to be committed to the licensing and distribution of branded cannabis products in states across the country and beyond.

As of this filing, we have begun to execute on our strategy to evolve the Company into a direct cultivator, producer, and dispenser of cannabis and cannabis-related products, which we anticipate will significantly increase our revenues, profitability and overall operations. We have also made a significant investment in GenCanna, one of the top US producers of hemp-derived CBD. In January 2019, we established a new subsidiary focused solely on the development and distribution of CBD-infused products from hemp that, pursuant to the 2018 Farm Bill, have been removed as criminal under the Controlled Substances Act. The following paragraphs highlight our efforts to date, which include the progress made on our recently announced strategic initiative to consolidate the operations of our cannabis-licensed clients and to acquire cannabis licensees in other states.

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

In July 2018, the Company entered into a purchase agreement to acquire AgriMed, an entity that holds a license from the state of Pennsylvania for the cultivation of cannabis and cannabis products that can be wholesaled to medical marijuana dispensaries within the state. In February 2019, the Company filed a complaint against AgriMed for specific performance of their obligations under the purchase agreement.

In August 2018, the Company entered into an exclusive global licensing agreement for the production and distribution rights in all existing and future legal cannabis markets of a proprietary technology that prints precision-dosed dissolvable cannabis products. This technology facilitates the production of multiple combinations of cannabinoids, terpenes, and nutrients, while avoiding fillers commonly found in cannabis and nutraceutical products, into a paper-thin, low-calorie, fast-absorbing product that is delivered sublingually, transdermally, or by drinking when dissolved in liquid. The process also allows for the printing of any graphic, such as a bar code or website address, on each product. These products transport easily and discreetly in purses, pockets, and wallets, and are produced at higher levels of efficiency than the current methods within the cannabis industry.

In August 2018, the Company made a strategic investment in an entity that provides a customer relationship management and marketing platform specifically designed for companies in the cannabis industry ("Sprout"). The Company shall assist in the ongoing development and design of Sprout, and in marketing Sprout to companies within the cannabis industry.

During the period September to November 2018, pursuant to a subscription agreement, the Company purchased the “GC Debentures of GenCanna, a producer and distributor of agricultural hemp, CBD formulations, hemp genetics, and hemp products. The GC Debentures bear interest at a compounded rate of 9% per annum and mature three years from issuance. The Company was granted a senior security interest on certain assets of GenCanna equal in value to 100% or more of the principal and accrued interest on the GC Debentures. Additionally, the Company was granted certain other rights including rights of inspection, financial information, and participation in future security offerings of GenCanna. In February 2019, the Company converted the GC Debentures plus accrued interest through the conversion date into common shares of GenCanna representing a 33.5% ownership interest in GenCanna on a fully diluted basis, and our CEO, Robert Fireman was appointed to GenCanna’s board of directors.

In October 2018, the Company entered into a purchase agreement to acquire the ownership interests of the KPGs, the Company’s two cannabis-licensed clients that operate medical marijuana dispensaries in the state of Illinois, from the current ownership group of the KPGs (the “Sellers”). As part of this transaction, the Company will also acquire all of the minority interests of Mari-IL, the Company’s subsidiary which owns the real estate in which the KPGs’ dispensaries are located from the Sellers. The purchase price of 1,000,000 shares of the Company’s common stock shall be issued to the Sellers upon the closing of the transaction, which is dependent upon, among other closing conditions, the approval by the Illinois Department of Financial and Professional Regulation which is expected to be received by June 2019. After the transaction is effectuated, the KPGs and Mari-IL will be wholly-owned subsidiaries of the Company.

In October 2018, the Company’s cannabis-licensed client in Massachusetts, ARL, filed a plan of entity conversion with the state to convert from a non-profit entity to a for-profit corporation. ARL holds three cannabis licenses from the state of Massachusetts for the cultivation, production and dispensing of cannabis. In November 2018, the Company received written confirmation of legislative approval of the conversion plan from the state, making ARL a wholly-owned subsidiary of the Company. In conjunction with the approval of the conversion plan, the Company elected its current COO, Timothy Shaw, to serve as ARL’s sole board member.

In November 2018, the Company issued a letter of intent to acquire the ownership interests of The Harvest Foundation LLC, the Company’s cannabis-licensed client in the state of Nevada. The parties intend to negotiate a definitive agreement governing the acquisition as soon as practicable following the satisfactory completion of due diligence. The acquisition is conditioned upon the appropriate legislative approval of the transaction.

In December 2018, the Company made a \$500,000 investment in Iconic Ventures Inc based upon their revolutionary new product DabTabs™. MariMed secured the exclusive distribution rights for six states and is in the process of beginning distribution in the state of Maryland.

In December 2018, the Company executed a memorandum of understanding to merge with its cannabis-licensed client in Maryland, Kind Therapeutics LLC. A merger agreement is currently being drafted for this transaction, which is intended to qualify as a tax-deferred reorganization under the Internal Revenue Code. The parties expect the merger agreement to be finalized, and the transaction approved by the state legislature in late 2019.

Revenues

Our revenues are currently comprised of the following primary categories:

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

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

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

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

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

Product Sales – Commencing in the 2019 calendar year, after we receive legislative approval for the previously mentioned cannabis-licensee acquisitions in Illinois, Massachusetts, Nevada, and Maryland, we expect to consolidate such acquisitions, and start to generate revenues from the sales of medicinal and adult-use cannabis, hemp and related products derived from these plants.

Revenue generated by our dormant online portal business were negligible.

Expenses

We classify our expenses into three broad categories:

- cost of revenues, which includes the direct costs associated with the generation of our revenues;
- operating expenses, which include the sub-categories of personnel, marketing and promotion, and general and administrative; and
- non-operating expense, which include the sub-categories of interest, non-cash amortization of stock option and warrant issuances, and non-cash losses on debt settlements.

Liquidity and Capital Resources

The Company raised nearly \$45 million during the year ended December 31, 2018. This amount was comprised of \$31.8 million from the sale of common stock, \$9.9 million from the issuance of convertible debentures, and \$3.0 million from the issuance of a promissory note. In addition, capital of approximately \$2.0 million was extended to us for building improvements on our New Bedford, MA property by the terms of the secured lender.

Subsequent to December 31, 2018, the Company raised an additional \$2.6 million from the sale of common stock and \$6 million from the issuance of promissory notes due in January 2020.

These funds will be used to execute on our strategy to become a direct cultivator, producer, and dispenser of cannabis and cannabis-related products, continue the development of our facilities, and expand our branded licensing business. We continue to require and negotiate for additional sources of capital, although there can be no assurance that any such capital will be available on terms that are acceptable to us.

Results of Operations

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenues for the year ended December 31, 2018 nearly doubled from the same period a year ago, increasing 95.3% from approximately \$6.1 million to approximately \$11.9 million. This significant increase was primarily due to the growth of (i) rental income from our facilities in Maryland and Massachusetts, which were fully developed and leased to tenants in late calendar 2017, (ii) supply procurement services provided to our cannabis-licensed client in Maryland in 2018, and (iii) management fees and additional rental revenue which we earn based on a percentage of revenue generated by our cannabis-licensed clients. Revenue generated by these clients increased 51.1% from approximately \$12.2 million in 2017 to approximately \$18.5 million in 2018.

Cost of revenues increased from approximately \$2.2 million for the year ended December 31, 2017 to approximately \$4.0 million for the year ended December 31, 2018. As a percentage of revenue, however, cost of revenues decreased from 36.1% in 2017 to 34.1% in 2018, as we continue to leverage our infrastructure to generate higher margins. Accordingly, gross profit doubled year-over-year, increasing to \$7.8 million, and as a percentage of revenue increased from 63.9% in 2017 to 65.9% in 2018.

Personnel expenses increased to approximately \$1.3 million for the year ended December 31, 2018 from approximately \$737,000 for the same period a year ago. Despite the increase in amount, which was the result of hiring additional staff to support the higher level of revenues, these expenses decreased as a percentage of revenues to 11.3% in 2018 from 12.1% in 2017.

Marketing and promotion costs increased to approximately \$292,000 for the year ended December 31, 2018 from approximately \$130,000 for the same period a year ago. The increase is due to a higher level of public relations undertaken by the Company, as well as a greater presence at industry tradeshows by the Company's executives.

General and administrative costs increased to approximately \$10.2 million for the year ended December 31, 2018 from approximately \$2.9 million for the same period a year ago. This increase is primarily due to the amortization of stock option and warrant issuances of approximately \$5.8 million in 2018, compared to \$1.1 million in 2017. To explain further, financial accounting standards established by the Financial Accounting Standards Board for public and private companies that follow Generally Accepted Accounting Principles (also known as "GAAP"), require certain option and warrant issuances to be recorded at fair value and amortized to expense over the requisite service period associated with such issuances. This amortization expense is a "non-cash" expense in that the Company does not have to expend any cash for this expense. Accordingly, this expense has no effect on the liquidity of the Company. Excluding this non-cash expense, general and administrative costs increased to approximately \$4.4 million for the year ended December 31, 2018 from approximately \$1.8 million for the same period a year ago. This increase is due to (i) professional fees associated with the Company's acquisitions, investments and financings, and (ii) utilities, real estate taxes, security, and other costs associated with operating an increased number of active facilities, commensurate with the growth of the business.

Goodwill writedowns, another non-cash expense as previously explained, was approximately \$1.3 million for the year ended December 31, 2018. This amount is related to the excess consideration paid for the acquisitions of ARL, iRollie, and the assets of Betty's Eddies™. Please refer to Note 3 – *Acquisitions* of our audited financial statements where these acquisitions are described in further detail.

As a result of the above, the Company incurred an operating loss of approximately \$5.3 million for the year ended December 31, 2018, compared to operating income of approximately \$128,000 for the same period in 2017. Excluding the aforementioned non-cash amortization expense on option and warrant issuances and goodwill writedowns, operating income increased 44.0% from approximately \$1.2 million for the year ended December 31, 2017 to approximately \$1.7 million for the year ended year December 31, 2018.

Non-operating expenses of approximately \$8.0 million for the year ended December 31, 2018 were primarily comprised of (i) interest expense of approximately \$4.4 million, which included approximately \$1.7 million of interest on mortgages, notes and debentures payable; non-cash amortization of approximately \$1.2 million of warrants that were issued to the purchasers of promissory notes and convertible debentures during 2018; and non-cash amortization of approximately \$1.5 million of the beneficial conversion feature on the \$10M Debentures, (ii) interest income of approximately \$593,000 primarily from our purchase of the GC Debentures in 2018, and (iii) non-cash losses on the settlement of debt via the issuance of common stock of approximately \$4.1 million. For the year ended December 31, 2017, non-operating expenses approximated \$1.2 million and were comprised of (a) net interest expense of approximately \$512,000, (b) net non-cash losses on debt settlement of approximately \$645,000.

As a result of the foregoing, we realized a net loss of approximately \$1.0 million for the year ended December 31, 2017, compared with a net loss of approximately \$13.3 million in 2018. The net losses were due to the previously explained non-cash items which had no impact on the Company's liquidity or cash flow. Excluding all non-cash items, net income for the years ended December 31, 2018 and 2017 was approximately \$657,000 and \$694,000, respectively. The calculation for net income excluding non-cash items is as follows:

Net Income Excluding Non-Cash Items

	2018	2017
	<i>(Unaudited)</i>	
Net loss	\$ (13,308,673)	\$ (1,029,062)
Non-cash items:		
Amortization of option and warrant issuances	5,760,617	1,078,253
Loss on debt settlements, net	4,133,481	872,133
Amortization of beneficial conversion feature	1,522,107	-
Amortization of warrants	1,171,330	-
Goodwill writedowns	1,331,785	-
Equity in loss of investment	43,221	-
Gain on sale of assets	2,858	-
Gain on settlement of deferred revenue	-	(226,940)
Total non-cash items	13,965,399	1,723,446
Net income excluding non-cash items	656,726	694,384

Additionally, for the year ended December 31, 2018, the Company achieved adjusted EBITDA of \$2.4 million, an increase of 53%, compared to \$1.6 million for the same period a year ago. Please see the following section which further explains adjusted EBITDA.

Non-GAAP Financial Information – Adjusted EBITDA

We are providing a non-GAAP financial measurement of profitability – *adjusted EBITDA* – as a supplement to the preceding discussion of our financial results, which are based on our consolidated financial statements prepared in accordance with GAAP.

Management utilizes adjusted EBITDA internally in analyzing our financial achievements, operational performance, and liquidity. The presentation of adjusted EBITDA is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP.

We believe that both management and investors benefit from considering adjusted EBITDA in assessing our financial results and when planning, forecasting and analyzing future periods. Additionally, adjusted EBITDA provides investors and analysts with a key financial metric we use in making operating decisions, and is also a key metric used by investors and analysts themselves, along with other metrics, to assess the financial condition of a business.

EBITDA can be a useful supplemental measure to analyze the Company's operations and liquidity, it does have limitations. Some limitations of adjusted EBITDA are as follows:

- Adjusted EBITDA does not include the impact of stock-based expenses, impairment or write downs of intangible assets, acquisition-related transaction expenses, or the gains or losses associated with the extinguishment of debt via the issuance of stock.
- Adjusted EBITDA does not take into account interest income or expense, income taxes, or depreciation and amortization of fixed assets and intangibles.
- Analysts, investors, and other companies, even those within our industry, may calculate adjusted EBITDA differently or not at all, which may reduce its usefulness as a comparative measure.

2019 Plans

Over the past year, many investors and potential partners have indicated to us that by consolidating ownership of our client operations, our strategy, position in the market, and financial statements would be made simpler, more transparent, and easier to understand from an investor perspective. As a result, we began in late 2018 a series of negotiated purchases of our client operators. Many of these transactions are still in process, and require approval from state authorities. It is our goal to complete this process in 2019. Please see section *Consolidation Plans* within *ITEM 1. BUSINESS* above.

In addition to completing this consolidation in 2019, we expect our focus to be on four key areas:

- 1) Driving operating revenue and profits across all the operating units, particularly in states like Massachusetts where the business is at an early stage.
- 2) Drive revenue and profits in MariMed Hemp by establishing brands and distribution across multiple channels.
- 3) Pursue expansion in the core cannabis business in states such as Michigan, Virginia, and Florida, to name a few.
- 4) Expand licensed branded products into additional states and increase the related licensing fee stream.

Additionally, we agree with market analysts that the hemp-derived CBD market will grow rapidly. Although our success is far from certain, we intend to benefit from that growth, by our establishing MariMed Hemp, which is devoted to hemp-derived CBD products and which we expect will support and optimize our investment in GenCanna.

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

The following transactions have occurred in early 2019:

GenCanna Debentures Conversion

In February 2019, the Company converted the entire \$30 million investment in subordinated secured convertible debentures of GenCanna plus accrued interest through the conversion date into common stock of GenCanna equal to a 33.5% ownership interest on a fully diluted basis. As a result of the conversion, the Company will account for this investment in accordance with the equity method.

Also during this month, the Company's CEO was appointed to GenCanna's board.

Acquisitions

In February 2019, the Company contracted to purchase a 70% interest in Meditaurus LLC, a company established by Dr. Jokubas Ziburkas who holds a PhD in neuroscience and is a leading authority on hemp-based CBD and the endocannabinoid system. Meditaurus currently operates in the United States and Europe and has developed proprietary CBD formulations sold under its *Florance* brand.

Real Estate

In March 2019, the Company entered into a lease with an option to purchase a 100,000 square foot warehouse located in Milford, Delaware. The lease term is 10 years, with an option to extend the term for three additional five-year periods. Build-out of the first 60,000 square feet into a cultivation and processing facility has commenced, and is expected to be completed by October 2019.

Investment

In January 2019, the Company entered into an agreement with Maryland Health & Wellness Center Inc. ("MHWC", an entity that has been pre-approved for a cannabis dispensing license, to provide MHWC with a construction loan of \$300,000 in connection with the buildout of MHWC's proposed dispensary location. MHWC issued a promissory note to the Company for the amount of the loan at a rate of 8% per annum that matures in January 2023, provided however, upon the two year anniversary of the date of final state approval of MHWC's dispensing license, the Company shall have the right, subject to state approval, to convert the note into shares of MHWC's common stock which shall be equivalent to 20% ownership of MHWC.

Consulting Agreement

At the same time as the aforementioned investment in MHWC, the Company entered into a consulting services agreement with MHWC whereby the Company will provide advisory and oversight services to MHWC over a three-year period relating to the development, administration, operation, and management of MHWC's proposed dispensary in Maryland. The Company's fee for such services shall be equal to 20% of MHWC's net income of the business, as defined in the agreement.

Promissory Note Issuance

In March 2019, the Company raised \$6 million from the issuance of a promissory note bearing interest at the rate of 10% per annum. This note is due and payable in January 2020.

Conversion of Note Receivable

In January, the Company's note receivable balance of approximately \$258,000 from Chooze Corp. was converted into a 2.7% ownership interest in Chooze. As of the conversion date, the Company will account for this investment in accordance with the provisions of ASC 321, *Investments – Equity Securities*.

Equity Transactions

- The Company sold 799,995 shares of common stock at a price of \$3.25 per share resulting in aggregate proceeds of \$2.6 million.
- Warrants to purchase 22,000 shares of common stock were exercised at exercise prices of \$0.50 to \$0.40. The Company received exercise proceeds of \$15,800 from these exercises.
- Options to purchase 50,000 shares of common stock were exercised at an exercise price of \$0.26 per share. The Company received exercise proceeds of \$13,000 from this exercise.
- Options to purchase 350,000 shares of common stock were exercised on a cashless basis with the exercise prices paid via the surrender of 139,985 shares of common stock.
- The holder of the \$10M Debentures converted \$600,000 of principal and approximately \$97,000 of accrued interest into 233,194 shares of common stock at conversion prices ranging from \$2.90 to \$3.06 per share.
- The Company issued 97,136 shares of common stock associated with the same number common stock subscriptions outstanding on December 31, 2018.

Off-Balance Sheet Arrangements

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

Inflation

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

Seasonality

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, which modifies accounting for lessees by requiring the recording of right-of-use lease assets and lease liabilities for operating leases and disclosing key information about leasing arrangements. The Company is currently implementing the requirements of Topic 842, which is effective for the Company starting on January 1, 2019. Most of the Company’s operating leases are subject to this new standard whose impact will be reflected by an increase in the Company’s total assets and total liabilities relative to such amount prior to adoption.

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

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

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvement to Nonemployee Share-Based Payment Accounting*, which is part of the FASB’s simplification initiative to maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting. This update provides consistency in the accounting for share-based payments to nonemployees with that of employees. This update is effective for interim and annual reporting periods beginning after December 15, 2018, and the Company is currently evaluating its financial statement impact.

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

ITEM 8. FINANCIAL STATEMENTS.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
MariMed Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of MariMed Inc. (the "Company") as of December 31, 2017 and related consolidated statements of operations, stockholders' equity, and cash flows and the related notes (collectively referred to as the "financial statements") for the December 31, 2017 year ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations, changes in stockholders' deficit and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ L&L CPAS, PA
L&L CPAS, PA
Certified Public Accountants
Cornelius, NC
The United States of America
April 2, 2018

The firm served this client from November 2014 to November 2018.

www.lcpas.net



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of MariMed Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of MariMed Inc. (the Company) as of December 31, 2018, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. The financial statements of MariMed Inc., as of December 31, 2017 were audited by other auditors, whose report dated April 2, 2018 expressed an unqualified opinion on those statements.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2018.
Houston, TX
April 16, 2019

MariMed Inc.
Consolidated Balance Sheets

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,104,315	\$ 1,290,231
Accounts receivable, net	5,376,966	1,453,484
Deferred rents receivable	2,096,384	610,789
Due from third parties	3,860,377	1,196,918
Due from related parties	-	15,000
Note receivable, current portion	51,462	45,444
Other current assets	219,012	357,019
Total current assets	15,708,516	4,968,885
Property and equipment, net	34,099,864	25,954,931
Intangibles	185,000	333,201
Investments	1,672,163	-
Note receivable, long-term portion	1,092,376	578,831
Debentures receivable	30,000,000	-
Due from related parties	119,781	119,781
Other assets	82,924	246,386
Total assets	\$ 82,960,624	\$ 32,202,015
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,915,430	\$ 2,831,658
Accrued expenses	1,588,368	1,405,336
Deferred rents payable	105,901	-
Due to related parties	276,311	400,996
Mortgages payable, current portion	125,178	118,556
Notes payable	3,877,701	10,665,899
Total current liabilities	9,888,889	15,422,445
Mortgages payable, long-term portion	7,411,634	5,532,397
Debentures payable	3,557,440	-
Other liabilities	338,200	240,013
Total liabilities	21,196,163	21,194,855
Stockholders' equity:		
Series A convertible preferred stock, \$0.001 par value; 50,000,000 shares authorized at December 31, 2018 and 2017; no shares issued or outstanding at December 31, 2018 and 2017	-	-
Series A preferred stock subscribed but not issued; zero and 500,000 shares at December 31, 2018 and 2017, respectively	-	500
Common stock, \$0.001 par value; 500,000,000 shares authorized at December 31, 2018 and 2017; 211,013,043 and 176,850,331 shares issued and outstanding at December 31, 2018 and 2017, respectively	211,013	176,850
Common stock subscribed but not issued; 97,136 and 1,000,000 shares at December 31, 2018 and 2017, respectively	169,123	370,000
Additional paid-in capital	87,180,165	22,256,060
Accumulated deficit	(25,575,808)	(11,971,740)
Noncontrolling interests	(220,032)	175,490
Total stockholders' equity	61,764,461	11,007,160
Total liabilities and stockholders' equity	\$ 82,960,624	\$ 32,202,015

See accompanying notes to consolidated financial statements.

MariMed Inc.
Consolidated Statements of Operations

	Year Ended December 31,	
	2018	2017
Revenues	\$ 11,851,915	\$ 6,067,853
Cost of revenues	4,041,122	2,192,812
Gross profit	7,810,793	3,875,041
Operating expenses:		
Personnel	1,339,832	737,011
Marketing and promotion	292,477	130,087
General and administrative	10,202,731	2,880,293
Goodwill writedowns	1,331,785	-
Total operating expenses	13,166,825	3,747,391
Operating income	(5,356,032)	127,650
Non-operating expenses and (income):		
Interest expense	4,366,295	592,417
Interest income	(593,214)	(80,898)
Loss on debt settlements, net	4,133,481	872,133
Equity in loss of investment	43,221	-
Other	2,858	(226,940)
Total non-operating expenses	7,952,641	1,156,712
Net income (loss)	(13,308,673)	(1,029,062)
Net income (loss) attributable to noncontrolling interests	295,395	165,021
Net income (loss) attributable to MariMed Inc.	\$ (13,604,068)	\$ (1,194,083)
Net income (loss) per share	\$ (0.071)	\$ (0.010)
Weighted average common shares outstanding	192,376,020	116,275,301

See accompanying notes to consolidated financial statements.

MariMed Inc.
Consolidated Statements of Stockholders' Equity

	Series A Convertible Preferred Stock		Series A Convertible Preferred Stock Subscribed But Not Issued		Common Stock		Common Stock Subscribed But Not Issued		Additional Paid-In Capital	Accumulated Deficit	Non- controlling Interest	Total Stockholders' Equity
	Shares	Par Value	Shares	Amount	Shares	Par Value	Shares	Amount				
Balances at December 31, 2016	-	\$ -	300,000	\$ 300	64,074,683	\$ 64,075	\$ 400,000	\$ 400	\$ 9,604,435	\$ (10,777,657)	\$ 557,006	\$ (551,441)
Subscribed Series A preferred stock			200,000	200					199,800			200,000
Sales of common stock					26,672,228	26,671			6,551,329			6,578,000
Equity issued to settle obligations					1,007,597	1,008	(400,000)	(400)	327,964			328,571
Option grants									73,902			73,902
Exercise of options					4,710,000	4,710			2,790			7,500
Warrant issuances									1,004,351			1,004,351
Purchase of subsidiary ownership interests					75,000,000	75,000			(75,000)			-
Sales of subsidiary ownership interests									1,118,807		31,193	1,150,000
Betty's Eddies™ Asset Purchase							1,000,000	370,000				370,000
Conversion of promissory notes					4,385,823	4,386			2,758,683			2,763,069
Settlement of promissory notes					1,000,000	1,000			689,000			690,000
Distributions											(577,730)	(577,730)
Net income (loss)										(1,194,083)	165,021	(1,029,062)
Balances at December 31, 2017	-	-	500,000	500	176,850,331	176,850	1,000,000	370,000	22,256,060	(11,971,740)	175,490	11,007,160
Conversion of Series A preferred stock			(500,000)	(500)	970,988	971			33,573			34,044
Sales of common stock					19,188,980	19,189			31,801,812			31,821,001
Common stock issued for acquisitions					642,575	643			1,194,918			1,195,561
Equity issued to settle obligations							18,000	74,160				74,160
Issuance of subscribed shares					1,000,000	1,000	(1,000,000)	(370,000)	369,000			-
Equity issued for services					3,420,526	3,421			3,671,697			3,675,118
Equity conversion					222,222	222			(222)			-
Compensation expense on option and warrant issuances									5,760,617			5,760,617
Exercise of options					654,602	655			38,435			39,000
Exercise of warrants					2,142,710	2,143			383,252			385,395
Discount on debentures payable									1,057,833			1,057,833
Discount on promissory notes									1,709,595			1,709,595
Beneficial conversion feature on debentures payable									5,569,908			5,569,908
Conversions of debentures payable					524,360	524			1,434,982			1,435,506
Conversions of promissory notes					1,568,375	1,568			1,902,748			1,904,316
Settlement of promissory notes					3,827,374	3,827	79,136	94,963	9,996,048			10,094,838
Distributions											(690,917)	(690,917)
Net income (loss)										(13,604,068)	295,395	(13,308,673)
Balances at December 31, 2018	-	\$ -	-	\$ -	211,013,043	\$ 211,013	97,136	\$ 169,123	\$ 87,180,165	\$ (25,575,808)	\$ (220,032)	\$ 61,764,461

See accompanying notes to consolidated financial statements.

MariMed Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss) attributable to MariMed Inc.	\$ (13,604,068)	\$ (1,194,083)
Net income (loss) attributable to noncontrolling interests	295,395	165,021
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	657,854	362,691
Bad debt expense	150,000	-
Amortization of warrants	1,171,330	-
Amortization of beneficial conversion feature	1,522,107	-
Goodwill writedowns	1,331,785	-
Loss on sale of fixed assets	(2,858)	-
Equity compensation	5,760,617	1,078,253
Common stock issued for services	3,675,121	320,772
Loss on preferred stock conversions	34,044	-
Loss on promissory note conversions	829,316	451,115
Loss on promissory note extinguishments	2,505,050	390,000
Equity in loss of investment	43,221	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,073,482)	(920,877)
Deferred rents receivable	(1,485,595)	(74,541)
Due from third parties	(3,387,906)	(640,238)
Other current assets	156,547	(341,016)
Other assets	163,462	(51,044)
Accounts payable	963,083	2,359,493
Accrued expenses	183,032	86,245
Deferred rents payable	105,901	-
Deferred revenue	-	(226,950)
Other liabilities	98,187	-
Net cash provided by (used in) operating activities	(2,907,857)	1,764,841
Cash flows from investing activities:		
Purchase of property and equipment	(8,924,311)	(20,975,763)
Investment in convertible debentures	(30,000,000)	-
Investment in notes receivable	(565,116)	-
Investment in Iconic Ventures	(500,000)	-
Investment in Sprout	(300,000)	-
iRollie acquisition	13,494	-
Proceeds from notes receivable	45,553	-
Proceeds from sale of equipment	145,382	-
Due from related parties	15,000	52,727
Net cash used in investing activities	(40,069,998)	(20,923,036)
Cash flows from financing activities:		
Proceeds from subscribed preferred stock	-	200,000
Issuance of common stock	31,821,001	6,585,800
Issuance of common stock subscriptions	55,620	-
Issuance of interest in subsidiary	-	1,150,000
Issuance of promissory notes	3,206,338	9,475,000
Payments on promissory notes	(700,000)	-
Issuance of debentures	10,007,094	-
Proceeds from mortgages	2,000,000	2,785,841
Payments on mortgages	(114,141)	-
Exercise of stock options	39,000	7,500
Exercise of warrants	385,395	-
Due to related parties	(217,451)	252,659
Distributions	(690,917)	(577,730)
Net cash provided by financing activities	45,791,939	19,879,070
Net change to cash and cash equivalents	2,814,084	720,875
Cash and cash equivalents at beginning of period	1,290,231	569,356
Cash and cash equivalents at end of period	\$ 4,104,315	\$ 1,290,231
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,286,007	\$ 586,584
Cash paid for taxes	\$ 12,584	\$ 1,781
Non-cash activities:		
Equity issued to settle promissory notes	\$ 7,589,788	\$ 300,000
Conversions of promissory notes	\$ 1,075,000	\$ 2,311,953
Discount on promissory notes	\$ 1,709,595	\$ -
Conversions of debentures payable	\$ 1,435,506	\$ -
Beneficial conversion feature on debentures payable	\$ 5,569,908	\$ -
Discount on debentures payable	\$ 1,057,833	\$ -

Investment in Sprout	\$ 915,006	\$ -
iRollie acquisition	\$ 266,682	\$ -
Issuance of common stock associated with subscriptions	\$ 370,000	\$ -
Subscriptions issued to acquire assets of Betty's Eddies™	\$ -	\$ 370,000
Issuance of common stock for prepaid rent	\$ 18,540	\$ -

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

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

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

The Company was originally incorporated in January 2011 under the name Worlds Online Inc., using the ticker symbol WORX. In early 2017, the Company name and ticker were changed to its current name and ticker. At inception, the Company had operated an online portal that offered multi-user virtual environments to users. These operations were effectively ceased in early 2014.

The Company has entered into several transactions to develop its business, and more recently to carry out its strategic decision to transition from a professional management and advisory company that provides cannabis licensing, operational consulting, and real estate services, to a direct owner of cannabis licenses and operator of seed-to-sale operations. These transactions are summarized below and disclosed in further detail in Note 3 – *Acquisitions*.

In May 2014, the Company, through its subsidiary MariMed Advisors Inc., acquired Sigal Consulting LLC, a company operating in the cannabis industry. This transaction was accounted for as a purchase acquisition where the Company was both the legal and accounting acquirer. In June 2017, the minority interest in MariMed Advisors Inc. was merged into the Company.

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

In July 2018, the Company contracted to acquire AgriMed Industries of PA LLC (“AgriMed”), an entity that holds a license for the cultivation of cannabis into medical marijuana products in the state of Pennsylvania. In February 2019, the Company filed a complaint against this entity for specific performance of their obligations under the purchase agreement.

In October 2018, the Company entered into a purchase agreement to acquire its two cannabis-licensed clients, KPG of Anna LLC and KPG of Harrisburg LLC, currently operating medical marijuana dispensaries in the state of Illinois. As of December 31, 2018, the Company had not yet received legislative approval – required for all ownership changes of cannabis licensees – and therefore these entities were not consolidated in the Company’s financial statements as of such date. The Company anticipates approval will be obtained, and the transaction consummated, in 2019.

In October 2018, the Company’s cannabis-licensed client with cultivation and dispensary operations in Massachusetts, ARL Healthcare Inc. (“ARL”), filed a plan of entity conversion with the state to convert from a non-profit entity to a for-profit corporation, with the Company as the sole shareholder of the for-profit corporation. On November 30, 2018, the conversion plan was approved by the secretary of state, and effective December 1, 2018, ARL was consolidated into the Company as a wholly-owned subsidiary.

In November 2018, the Company issued a letter of intent to acquire The Harvest Foundation LLC, its cannabis-licensed client with cultivation operations in the state of Nevada. The acquisition is conditioned upon legislative approval of the transaction which is expected to occur in May 2019.

In December 2018, the Company entered into a memorandum of understanding to merge with Kind Therapeutics USA LLC, its cannabis-licensed client in the state of Maryland. The parties expect the merger agreement to be finalized, and the transaction approved by the state legislature in 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Principles of Consolidation

The accompanying condensed consolidated financial statements at December 31, 2018 and 2017 and for the years then ended 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	60.0%
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%

Intercompany transactions have been eliminated upon consolidation.

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 recorded a reserve of \$150,000 at December 31, 2018.

The accounts receivable balances of two clients constituted 84% of total accounts receivable at December 31, 2018. The balances of these two clients represented 79% of total accounts receivable at December 31, 2017.

Investments

The Company classifies its investments as available-for-sale-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, if any, included in comprehensive income. Investments are evaluated for other-than-temporary 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 – the Company generates rental income and additional rental fees from leasing its regulatory-compliant legal 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 – the Company receives fees for providing its 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 acceptance of goods by the purchaser.
- Licensing – the Company's derives revenue from the sale of precision-dosed, cannabis-infused products, such as Kalm Fusion™ and Betty's Eddies™, to legal dispensaries throughout the United States. The recognition of this revenue occurs when the products are delivered.
- Consulting – the Company assists third-parties parties in securing cannabis licenses, and provides advisory services in the areas of facility design and development, and cultivation and dispensing best practices. The revenues associated with these services are recognized as the services are performed.

Research and Development Costs

Research and development costs are charged to operations as incurred.

Property and Equipment

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

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

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

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

For the years ended December 31, 2018 and 2017, based on its impairment analyses, the Company did not have any impairment losses.

Impairment of Long-Lived Assets

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

Fair Value of Financial Instruments

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

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

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

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

	2018	2017
Life of instrument	0.5 to 5.0 years	3.0 to 5.0 years
Volatility factors	1.019 to 2.086	0.963 to 1.095
Risk-free interest rates	1.65% to 3.07%	1.79% to 2.08%
Dividend yield	0%	0%

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

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

Extinguishment of Liabilities

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

Stock-Based Compensation

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

Income Taxes

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

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. The Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits for the years ended December 31, 2018 and 2017.

Related Party Transactions

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

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

Comprehensive Income

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

Earnings Per Share

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

As of December 31, 2018 and 2017, there were 18,916,211 and 9,045,311, respectively, of potentially dilutive securities in the form of options and warrants. Also as of such dates, there were (i) zero and 500,000 shares, respectively, of subscriptions on convertible preferred stock, (ii) \$3,350,000 and \$1,350,000, respectively, of convertible promissory notes, and (iii) approximately \$8.6 million and zero, respectively, of convertible debentures payable, that were potentially dilutive, and whose conversion into common stock is based on a discount to the market value of common stock on or about the future conversion date. For the years ended December 31, 2018 and 2017, all potentially dilutive securities had an anti-dilutive effect on earnings per share, and in accordance with ASC 260, were excluded from the diluted net income per share calculation, resulting in identical calculations of basic and fully diluted net income per share. These securities may dilute earnings per share in the future.

Commitments and Contingencies

The Company follows ASC 450, *Contingencies*, which requires the Company to assess the likelihood that a loss will be incurred from the occurrence or non-occurrence of one or more future events. Such assessment inherently involves an exercise of judgment. In assessing possible loss contingencies from legal proceedings or unasserted claims, the Company 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; the value of net assets owned by noncontrolling interests are presented as a component of equity within the balance sheets.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which modifies accounting for lessees by requiring the recording of right-of-use lease assets and lease liabilities for operating leases and disclosing key information about leasing arrangements. The Company is currently implementing the requirements of Topic 842, which is effective for the Company starting on January 1, 2019. Most of the Company's operating leases are subject to this new standard whose impact will be reflected by an increase in the Company's total assets and total liabilities relative to such amount prior to adoption.

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

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

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvement to Nonemployee Share-Based Payment Accounting*, which is part of the FASB's simplification initiative to maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting. This update provides consistency in the accounting for share-based payments to nonemployees with that of employees. This update is effective for interim and annual reporting periods beginning after December 15, 2018, and the Company is currently evaluating its financial statement impact.

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

NOTE 3 – ACQUISITIONS

Sigal Consulting LLC

In May 2014, the Company, through its subsidiary MariMed Advisors Inc., acquired Sigal Consulting LLC from its ownership group which included the current CEO and CFO of the Company (the "Sigal Ownership Group"). The purchase price received by the Sigal Ownership Group was comprised of (i) 31,954,236 shares of common stock valued at approximately \$5.9 million, representing 50% of the Company's outstanding shares on the closing date, (ii) options to purchase three million shares of the Company's common stock, exercisable over five years with exercise prices ranging from \$0.15 to \$0.35, and valued at approximately \$570,000, and (iii) a 49% ownership interest in MariMed Advisors Inc. The excess of purchase price over the book value of the acquired entity was recorded as goodwill, which was subsequently impaired in full and written down to zero.

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

Betty's Eddies™

In October 2017, the Company acquired the intellectual property, formulations, recipes, proprietary equipment, know-how, and other certain assets of Betty's Eddies™, a brand of cannabis-infused fruit chews, from Icky Enterprises LLC, a company partially owned by an officer of the Company ("Icky"). The purchase price was \$140,000 plus 1,000,000 shares of the Company's common stock valued at \$370,000 based on the price of the common stock on the issuance date. These shares of common stock were issued in June 2018, and accordingly, the shares were classified as *Common Stock Subscribed But Not Issued* on the December 31, 2017 balance sheet.

The acquisition was accounted for in accordance with ASC 10, *Business Combinations*. The following table summarizes the allocation of the purchase price to the fair value of the assets acquired on the acquisition date:

Inventory	\$	46,544
Machinery and equipment		130,255
Goodwill		333,201
	\$	510,000

The goodwill balance of approximately \$333,000 was written down in 2018.

As part of the agreement between the parties, Icky shall receive royalties based on a percentage of the Company's sales of the Betty's Eddies™ product line, commencing at 25% and decreasing to 2.5% as certain sales thresholds are met. For the years ended December 31, 2018 and 2017, such royalties approximated \$16,000 and \$10,000, respectively.

iRollie LLC

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

The acquisition was accounted for in accordance with ASC 10. The shares of Company common stock valued at \$280,176 were issued to iRollie's former owners in December 2018, at which time the Company adjusted the total goodwill generated on the transaction. The following table summarizes the allocation of the purchase price to the fair value of the assets acquired:

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

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

ARL Healthcare Inc.

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

On November 30, 2018, the conversion plan was approved by the secretary of state, and effective December 1, 2018, ARL was consolidated into the Company as a wholly-owned subsidiary. Additionally, the Company's chief operating officer was appointed as ARL's sole board member.

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

Equipment	\$	21,000
Cannabis licenses		180,000
Accounts payable		(120,689)
Due to related parties		(92,765)
Total identifiable net assets		(7,454)
Goodwill		731,902
Total fair value of consideration	\$	724,448

The total consideration paid by the Company was equal to the forgiveness of amounts owed by the Company to ARL. Accordingly, the transaction gave rise to goodwill of approximately \$732,000, which the Company wrote down.

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, an entity that holds a license from the state of Pennsylvania for the cultivation of cannabis ("AgriMed"). AgriMed presently develops cannabis products that are wholesaled to medical marijuana dispensaries within the state. The purchase price is comprised of \$8,000,000, a portion of which may be in the form of the Company's common stock at the seller's option, and the assumption of certain liabilities of AgriMed not to exceed \$700,000. In February 2019, the Company filed a complaint against AgriMed for specific performance of their obligations under the purchase agreement. The consummation of this transaction is contingent upon the resolution of this complaint.

KPG of Anna LLC and KPG of Harrisburg LLC

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

The purchase price of 1,000,000 shares of the Company's common stock shall be issued to the Sellers upon the closing of the transaction, which is dependent upon, among other closing conditions, the approval by the Illinois Department of Financial and Professional Regulation. Such approval is expected to be received by mid-2019. After the transaction is effectuated, the KPGs and Mari-IL will be wholly-owned subsidiaries of the Company.

As of December 31, 2018, the Company had not yet received the legislative approval – required for all ownership changes of cannabis licensees – and therefore the operations of the KPGs were not consolidated in the Company's financial statements as of such date. The Company anticipates approval will be obtained, and the transaction consummated, in 2019. When that occurs, the Company expects to consolidate the acquired entities in accordance with ASC 10.

The Harvest Foundation LLC

In November 2018, the Company issued a letter of intent to acquire 100% of the ownership interests of The Harvest Foundation LLC, the Company's cannabis-licensed client in the state of Nevada. The parties are in the process of negotiating a definitive agreement governing the acquisition following the satisfactory completion of due diligence. The acquisition is conditioned upon the appropriate legislative approval of the transaction, which is expected to occur in May 2019. Accordingly, the operations of The Harvest Foundation LLC have not been consolidated for the year ended December 31, 2018.

Kind Therapeutics LLC

In December 2018, the Company entered into a memorandum of understanding to merge with its cannabis-licensed client in Maryland, Kind Therapeutics LLC. A merger agreement is currently being drafted for this transaction, which is intended to qualify as a tax-deferred reorganization under the Internal Revenue Code. The parties expect the merger agreement to be finalized, and the transaction approved by the state legislature in 2019.

NOTE 4 – INVESTMENTS

Sprout

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

The Company shall assist in the ongoing development and design of Sprout, and in marketing Sprout to companies within the cannabis industry. The Company shall earn a percentage share of Sprout’s revenues generated from sales (i) to the Company’s clients, and (ii) by the Company to third parties. As of December 31, 2018, no revenue share was earned by the Company.

The investment has been accounted under the equity method. For the year ended December 31, 2018, the Company recorded a charge to net income of approximately \$43,000 based on its equity in CVP’s net loss during the period of the Company’s ownership. Such amount reduced the carrying value of the investment to approximately \$1,172,000 at December 31, 2018.

Vitiprints

In August 2018, the Company entered into a licensing agreement for the exclusive worldwide license to use, develop, sublicense, promote, sell or otherwise commercialize in any way a patented technology to produce and distribute cannabis products with exceedingly precise dosing at increased production economies (“the Vitiprints License”). The licensing agreement has an initial term of five years, with an option to renew the agreement for successive five-year periods, provided that notice of renewal is delivered prior to the expiration of the initial term or a renewal term.

Pursuant to the agreement, the Company made a non-refundable payment of \$250,000. This payment was expensed and is included in *Cost of Revenues* on the financial statements. In addition, the Company shall pay a royalty to Vitiprints equal to 10% of net revenue, as defined, received by the Company from commercialization of the Vitiprints License, with a minimum royalty payment of \$250,000. In order to maintain the exclusivity of the license, the Company shall make minimum royalty payments of (i) \$500,000 for the year following the first sale date, as defined, (ii) \$750,000 for the following year, and (iii) \$1,000,000 for all remaining years during the initial or renewal terms.

DabTabs™

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

The Company’s investment equates to an ownership percentage in Iconic of less than 15%. The Company was not given a board seat and does not have ability to exert operational or financial control over the entity. In accordance with ASC 321, *Investments – Equity Securities*, the Company elected the measurement alternative to value this equity investment without a readily determinable fair value. Under this alternative measurement election, the investment is recorded at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment in Iconic. Following the Company’s purchase, there has been no impairment to this investment, nor any observable price changes to investments in Iconic. Accordingly, this investment was measured at \$500,000 at December 31, 2018.

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

NOTE 5 – DEFERRED RENTS RECEIVABLE

The Company leases its regulatory-compliant legal cannabis facilities to its cannabis-licensed clients generally under 20-year non-cancelable lease agreements which contain rent holidays, escalating rents over time, options to renew, and the requirement to pay property taxes, insurance and/or maintenance costs. These leases also contain contingent rental payments that are based on a percentage of monthly tenant revenues.

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

The Company leases the following owned properties:

- Delaware – a 45,000 square foot facility purchased in September 2016 and built into a cannabis cultivation, processing, and dispensary facility which is leased to a cannabis-licensed client occupying 100% of the space under a 20-year triple net lease expiring in 2035.
- Illinois – two 3,400 square foot free-standing retail dispensaries in the cities of Anna and Harrisburg and leased to two licensed cannabis dispensary clients each under a 20-year lease expiring in 2036.
- Maryland – a 180,000 square foot former manufacturing facility purchased January 2017 and rehabilitated by the Company into a cultivation and processing facility which is leased to a licensed cannabis client under a 20-year triple net lease that started in January 2018.

The Company subleases the following properties:

- 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 five-year triple net lease with a five-year option to extend.
- Nevada – 10,000 square feet of an industrial building that the Company built-out into a cannabis cultivation facility and is subleased to the Company's cannabis-licensed client under a sublease for 10 years expiring in 2024.

As of December 31, 2018 and 2017, cumulative fixed rental receipts under such leases approximated \$5.4 million and \$2.8 million, respectively, compared to revenue recognized on a straight-line basis of approximately \$7.5 million and \$3.4 million. Accordingly, the deferred rents receivable balances at December 31, 2018 and 2017 approximated \$2.1 million and \$611,000, respectively.

Future minimum rental receipts for non-cancelable leases and subleases as of December 31, 2018 were:

2019	\$	1,261,181
2020		1,287,257
2021		1,315,686
2022		1,193,990
2023		1,179,641
Thereafter		14,571,268
Total	\$	<u>20,809,023</u>

NOTE 6 – DUE FROM THIRD PARTIES

At December 31, 2018 and 2017, the balances due from third parties were comprised the following amounts advanced to the Company's cannabis-licensed clients for working capital purposes:

	2018	2017
Kind Therapeutics USA Inc. (Maryland licensee)	\$ 2,679,496	\$ 77,558
KPG of Anna LLC (Illinois licensee)	482,700	418,305
KPG of Harrisburg LLC (Illinois licensee)	449,385	382,260
Harvest Foundation LLC (Nevada licensee)	248,796	40,693
ARL Healthcare Inc. (Massachusetts licensee)	-	176,823
Other	-	101,279
Total due from third parties	<u>\$ 3,860,377</u>	<u>\$ 1,196,918</u>

Such amounts are advanced by the Company to its clients in order to furnish these companies with additional means by which they can establish their cannabis businesses and grow their operations. The Company has employed this strategy in the past, and is continuing with these companies, whereby all advanced amounts are reimbursed as the companies begin to generate positive cash flow.

NOTE 7 – DEBENTURES RECEIVABLE

During 2018, in a series of transactions, the Company purchased \$30 million of subordinated secured convertible debentures (the “GC Debentures”) of GenCanna Global, Inc., a producer and distributor of agricultural hemp, cannabidiol (CBD) formulations, hemp genetics, and hemp products (“GenCanna”). The GC Debentures bear interest at a compounded rate of 9% per annum and mature three years from issuance.

The GC Debentures are convertible into the common stock of GenCanna, at the Company’s option, (i) upon the occurrence of a Liquidity Event, as defined in the GC Debentures, or (ii) after December 31, 2018, upon ten days prior written notice to GenCanna. Conversion of the Company’s entire \$30 million investment shall equate to at least a 33.3% ownership interest in GenCanna on a fully diluted basis. The conversion price is equal to the lesser of a 20% discount to the price of the Liquidity Event, or the price based on a defined post-money valuation of GenCanna. If a Liquidity Event does not occur on or before June 30, 2020, the Company shall have the option to be redeemed in cash for the principal amount of the GC Debenture plus all accrued and unpaid interest thereon.

Among other provisions of the subscription agreement governing this series of transactions, the Company was given the right to appoint a director to GenCanna’s board, and agree to fund a \$10 million employee bonus pool should GenCanna meet certain 2019 operating targets.

Concurrent with the completion of the GC Debenture purchases, the parties executed a security and pledge agreement whereby the Company was granted a senior security interest on certain assets of GenCanna equal in value to 100% or more of the principal and accrued interest on the GC Debentures until such time the GC Debentures are paid down, redeemed or converted. Additionally, the Company was granted certain other rights, pursuant to a rights agreement, including rights of inspection, financial information, and participation in future security offerings of GenCanna.

For the year ended December 31, 2018, the Company earned and received interest income of approximately \$502,000 on the GC Debentures. In February 2019, the Company converted the GC Debentures plus accrued interest through the conversion date into a 33.5% ownership interest in GenCanna on a fully diluted basis, as disclosed in Note 20 – *Subsequent Events*.

NOTE 8 – NOTES RECEIVABLE

At December 31, 2018 and 2017, notes receivable were comprised of the following:

	2018	2017
First State Compassion Center -12.5% per annum, maturing in 2026	\$ 578,723	\$ 624,275
The Healer - 8% per annum, maturing in 2021	307,429	-
Chooze Corp. - 8% per annum, maturing in 2021	257,687	-
Total notes receivable	1,143,839	624,167
Current portion of First State Compassion Center note receivable	51,462	45,444
Notes receivable, long-term portion	\$ 1,092,377	\$ 578,831

The Company loaned approximately \$700,000 to First State Compassion Center, its Delaware cannabis-licensee client, during the period of October 2015 to April 2016. In May 2016, this client issued a 10-year promissory note, as amended, to the Company bearing interest at a compounded rate of 12.5% per annum. The monthly payments of approximately \$10,100 will continue through April 2026, at which time the note will be fully paid down. At December 31, 2018 and 2017, the current portion of this note comprised the *Note Receivable*, *Current Portion* amounts on the balance sheets, and the long-term portion of approximately \$527,000 and \$579,000, respectively, was included in the caption *Notes Receivable, Less Current Portion*.

During 2018, the Company loaned an aggregate of \$550,000 to Chooze Corp. and The Healer, two unrelated third-party companies in the cannabis industry. The loans bear interest at 8% per annum and mature in 2021. At December 31, 2018, the aggregate loan balances plus accrued interest approximated \$565,000. In January 2019, the note receivable from Chooze Corp. was converted into a 2.7% ownership interest in that entity.

NOTE 9 – PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land	\$ 3,392,710	\$ 3,392,710
Buildings and building improvements	13,566,144	3,918,359
Tenant improvements	5,348,882	2,260,512
Furniture and fixtures	114,160	95,815
Machinery and equipment	1,632,351	506,464
Construction in progress	12,205,447	17,279,949
	36,259,694	27,453,809
Less: accumulated depreciation	(2,159,830)	(1,498,878)
Property and equipment, net	\$ 34,099,864	\$ 25,954,931

During the years ended December 31, 2018 and 2017, additions to property and equipment were approximately \$8.9 million and \$21.0 million, respectively.

The 2017 additions were primarily comprised of (i) the purchase of properties in Hagerstown, MD, and Middleborough, MA, (ii) the purchase of land and property in New Bedford, MA, (iii) the start of construction at these three locations, and (iv) continuing improvements at the Lewes, DE, Anna, IL, and Harrisburg, IL locations. The 2018 additions consisted primarily of the continued buildout of both locations in MA and the location in MD.

The 2017 construction in progress balance of approximately \$17.3 million consisted of the following:

- \$11.2 million – Hagerstown, MD building, machinery, improvements, and fixtures;
- \$5.0 million – New Bedford, MA building and improvements; and
- \$1.1 million – Middleborough, MA building

During 2018, the \$11.2 million of Hagerstown, MD construction in progress was placed into service, and the 2018 construction in progress balance of approximately \$12.2 million was primarily comprised of:

- \$9.8 million – New Bedford, MA building, improvements and machinery; and
- \$2.4 million – Middleborough, MA building, improvements and fixtures.

Depreciation expense for the years ended December 31, 2018 and 2017 was approximately \$658,000 and \$363,000, respectively.

NOTE 10 – DEBT

Mortgages

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 that is leased to ARL. From the start of the mortgage through May 2019, the Company is required to make monthly payments of interest-only at a rate equal to the monthly prime rate plus 2%, with a floor of 6.25%. From May 2019 to May 2024, the Company shall 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%. 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%. At December 2018 and 2017, the principal balance on this mortgage was approximately \$4.9 million and \$2.9 million, respectively.

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 the state. The mortgage matures in 2031 with monthly principal and interest payments at a rate of 5.25% through September 2021, and thereafter the rate adjusting every five years to the then prime rate plus 1.5% with a floor of 5.25%. At December 31, 2018 and 2017, the principal balance on this mortgage was approximately \$1.8 million and \$1.9 million, respectively.

In 2016, the Company entered into a mortgage agreement with DuQuoin State Bank ("DSB") for the purchase of two properties that it developed into two 3,400 square foot free-standing retail dispensaries that are currently leased to the KPGs. On May 5th of each year, this mortgage is due to be repaid unless it is renewed for another year at a rate determined at the discretion of DSB's executive committee. At December 31, 2018 and 2017, the principal balance on this mortgage was approximately \$850,000 and \$869,000, respectively.

Promissory Notes

In September 2018, the Company raised \$3,000,000 from the issuance of a secured promissory note bearing interest at the rate of 10% per annum, with interest payable monthly. The note is due and payable in September 2019, however the Company may elect to prepay the note in whole or part at any time after December 17, 2018 without premium or penalty.

The Company issued three-year warrants, which were attached to this promissory note, 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 note of approximately \$1.5 million from the allocation of note proceeds to the warrants based on the fair value of such warrants on the issuance date. During 2018, approximately \$882,000 of the warrant discount was amortized to interest expense. At December 31, 2018, the carrying value of this note, net of remaining warrant discount of approximately \$630,000, was approximately \$2.37 million.

During the year ended 2017, the Company raised \$9,475,000 from the issuance of promissory notes with interest rates ranging from 4.5% to 12%, all with maturity dates of 12 months or less from the date of issue.

During 2018, holders of previously issued promissory notes with principal balances of \$1,075,000 converted such promissory notes into 1,568,375 shares of common stock at conversion prices ranging from \$0.65 to \$0.90 per share. The conversions resulted in the recording of non-cash losses of approximately \$829,000 in the aggregate, based on the market value of the common stock on the conversion dates.

In August 2017, \$2.05 million in principal and approximately \$262,000 of accrued interest on promissory notes were converted into 4,385,823 shares of common stock at a conversion price of \$0.53 per share. Based on the market value of the common stock on the conversion date, the Company recorded a non-cash loss on conversion of approximately \$451,000.

During 2018, the Company issued 2,596,313 shares of common stock and subscriptions on 79,136 shares of common stock to retire promissory notes with principal balances of \$7,495,000 and approximately \$95,000 of accrued interest. The Company recorded non-cash losses of approximately \$2.5 million based on the fair value of the common stock on the retirement dates.

During 2017, the Company issued 5,385,823 share of commons stock to retire promissory notes with principal balances of \$2,300,000 and approximately \$312,000 of accrued interest. The Company recorded a non-cash loss of approximately \$841,000 based on the fair value of the common stock on the retirement dates.

During 2018 the Company repaid \$700,000 of promissory notes. No repayments debt occurred during the same period in 2017.

The aggregate scheduled maturities of the Company’s total debt outstanding, inclusive of the promissory notes and mortgages described within this Note 10 –Debt, and the convertible debentures described in the following Note 11 – *Debentures Payable*, as of December 31, 2018 were:

2019	\$	5,154,404
2020		9,070,954
2021		235,827
2022		251,543
2023		268,338
Thereafter		5,544,226
Total		20,525,292
Less discounts		(5,553,339)
	\$	14,971,953

NOTE 11 – DEBENTURES PAYABLE

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

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

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

Upon a change in control transaction, as defined in the \$10M Debentures, the Holder may require the Company to redeem all or a portion of the \$10M Debentures at a price equal to 110% of the principal amount of the \$10M Debentures plus all accrued and unpaid interest thereon. So long as the \$10M Debentures are outstanding, in the event the Company enters into a Variable Rate Transaction (“VRT”), as defined in the SPA, the Holder may cause the Company to revise the terms of the \$10M Debentures to match the terms of the convertible security of such VRT. As part of issuance of the \$10M Debenture, the Company issued three-year warrants to the Holder to purchase 324,675 shares of common stock at exercise prices of \$3.50 and \$5.50 per share (the “Warrants”).

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

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

Based on the conversion prices of the \$10M Debentures in relation to the market value of the Company’s common stock, the \$10M Debentures provided the Holder with a beneficial conversion feature, as the embedded conversion option was in-the-money on the commitment date. The intrinsic value of the beneficial conversion feature of approximately \$5.6 million was recorded as a discount to the carrying amount of the \$10M Debentures, with an offset to additional paid-in-capital.

In addition to the discount related to the beneficial conversion feature, an additional discount of approximately \$1.057 million was recorded based on the allocation of proceeds to the fair value of the Warrants attached to the debt.

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

During the year ended December 31, 2018, amortization of the beneficial conversion feature, after adjustment for the partial conversions, approximated \$1.5 million; amortization of the Warrants discount approximated \$91,000; and the amortization of original issue discount approximated \$9,000. This amortization was charged to interest expense. Additionally, accrued interest expense on the notes for such period approximated \$98,000 of which approximately \$36,000 was paid prior to the end of the year.

At December 31, 2018, the unamortized balances of the beneficial conversion feature, Warrants discount, and original issue discount were approximately \$4.1 million, \$966,000, and \$91,000, respectively. Also on such date, the outstanding principal balance on the \$10M Debentures was \$8.6 million, with accrued and unpaid interest of approximately \$62,000. Accordingly, at December 31, 2018, the carrying value of the \$10M Debentures was approximately \$3.6 million.

NOTE 12 – EQUITY

Preferred Stock

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

During 2017, the Company issued subscriptions on 200,000 shares of Series A convertible preferred stock at \$1.00 per share. No subscriptions were issued during 2018.

The Series A convertible preferred stock accrues an annual dividend of 6% until conversion. The preferred stock is convertible, along with any accrued dividends, into common stock at a twenty-five percent discount to the selling price of the common stock in a qualified offering, as defined in the subscription agreement. In addition, the Company has the ability to force the conversion of preferred stock at such time the Company has a market capitalization in excess of \$50 million for ten consecutive trading days. In such event, the conversion price shall be a 25% discount to the average closing price of the Company's common stock over the ten trading days prior to the Company's notice of its intent to convert.

In January 2018, all 500,000 shares of subscribed Series A convertible preferred stock were converted into 970,989 shares of common stock at a conversion price of \$0.55 per share. The Company recorded a non-cash loss on conversion of approximately \$34,000 based on the market value of the common stock on the conversion date. No shares were converted during 2017.

Common Stock

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

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

During the year ended December 31, 2018 the Company sold 19,188,981 shares of common stock at prices ranging from \$0.50 to \$3.00 per share, resulting in total proceeds of \$31.8 million. During the year ended December 31, 2017, the Company sold 26,672,228 shares of common stock, at prices ranging from \$0.18 to \$0.50 per share, resulting in total proceeds of \$6,578,000.

During the years ended December 31, 2018 and 2017, the Company issued 3,420,526 and 1,007,597 shares, respectively, in exchange for services rendered by third-parties or to otherwise settle outstanding obligations. Based on the market value of the common stock on the dates of issuance, the Company recorded non-cash losses on these settlements of approximately \$1,024,000 and \$31,000, respectively.

As previously disclosed in Note 3 – *Acquisitions*, the Company issued common stock in 2018 for the acquisition of iRollie (264,317 shares), and in 2017 to acquire of the remaining 49% interest of MariMed Advisors Inc. (75 million shares) and to purchase certain assets of Betty's Eddies™ (1 million shares).

As previously disclosed in Note 4 – *Investments*, the Company issued 378,259 shares of common stock as part of the purchase price of the investment in Sprout.

As previously disclosed in Note 10 – *Debt*, during 2018, holders of promissory notes with principal balances of \$1,075,000 converted such promissory notes into 1,568,375 shares of common stock, and holders of promissory notes with principal balances of approximately \$7.5 million and \$95,000 of accrued interest received 2,596,313 shares of common stock and subscriptions on 79,136 share of common stock to retire such notes. During 2017, holders of promissory notes with principal balances of \$2.05 million and approximately \$262,000 of accrued interest converted such promissory notes into 4,385,823 shares of common stock, and holders of promissory notes with principal balances of \$2.3 million and approximately 312,000 of accrued interest received 5,385,823 shares of common stock to retire such notes.

As previously disclosed in Note 11 – *Debentures Payable*, the Holder of the \$10M Debentures converted \$1,400,000 of principal and approximately \$36,000 of accrued interest into 524,360 shares of common stock.

As further disclosed in Note 13 – *Stock Options*, during the years ended December 31, 2018 and 2017, options to purchase 760,000 and 4,800,000 shares of common stock, respectively, were exercised. Of these exercised options, during 2018 and 2017, 460,000 and 4,500,000 options, respectively, were cashless exercises.

As further disclosed in Note 14 – *Warrants*, during 2018, warrants to purchase 2,300,237 shares of common stock were exercised, of which 1,000,000 warrants were exercised on a cashless basis.

Common Stock Subscribed But Not Issued

At December 31, 2018, there were outstanding subscriptions on 79,136 shares of common stock related to the settlement of a previously issued promissory note with a principal balance of \$50,000 and accrued interest of \$1,454. These subscriptions had a value of approximately \$95,000 based on the market value of the common stock on the settlement date. Also outstanding on such date were subscriptions on 18,000 shares of common stock, equivalent to an aggregate amount of \$74,160, for the payment of rent for the months of September 2018 through January 2019 for a leased property in Massachusetts. The shares of common stock associated with all outstanding subscriptions at December 31, 2018 were issued in March 2019.

In October 2017, the Company issued subscriptions on 1,000,000 shares of common stock as part of the purchase price of the Betty's Eddies™ acquired assets as further disclosed in Note 3 – *Acquisitions*. These subscriptions were valued at \$370,000 based on the market value of the common stock on the transaction date. The shares of common stock associated with these subscriptions were issued in June 2018.

Membership Interests

In August 2018, an individual member of Mari Holdings MD LLC, a majority owned subsidiary of the Company ("Mari-MD"), exchanged his 0.5% membership interest in such subsidiary for 222,222 shares of the Company's common stock.

In December 2018, a subscriptions receivable balance of \$25,000 related to a member's interest in a majority-owned subsidiary was written off, with a corresponding reduction of such member's capital contribution account.

During 2017, the Company issued 12,778 Class A membership units of Mari-MD for \$1,150,000, representing 3.05% ownership of this subsidiary at December 31, 2017.

NOTE 13 – STOCK OPTIONS

During 2018, the Company granted options to purchase 4.72 million shares of common stock at exercise prices ranging from \$0.14 to \$3.73 and expiring between December 2020 and November 2024. Of the total 4.72 million options issued, 3.15 million were vested upon issuance and 1.57 million have vesting periods that span six to thirty months. The fair value of these options, measured on grant date, of approximately \$5.9 million is being amortized over the respective vesting periods, of which approximately \$3.9 million was amortized during the year ended December 31, 2018.

During 2017, the Company granted options to purchase 550,000 shares of common stock at exercise prices ranging from \$0.26 to \$0.55, vesting from the grant date through March 2019, and expiring between September 2020 and October 2021. The fair value of these options, measured on grant date, was approximately \$159,000, of which approximately \$74,000 was amortized in 2017, \$58,000 was amortized in 2018, and \$27,000 was forfeited prior to vesting.

During the years ended December 31, 2018 and 2017, options to purchase 760,000 and 4,800,000 shares of common stock, respectively, were exercised at exercise prices ranging from \$0.08 to \$0.63 per share, and \$0.01 to \$0.03 per share, respectively. Of these exercised options, during 2018 and 2017, 460,000 and 4,500,000 options, respectively, were cashless exercises, with the exercise price paid via the surrender of 105,398 and 90,000 shares of common stock.

The following table summarizes the Company's stock option transactions during the 2018 and 2017 fiscal years:

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding at December 31, 2016	9,250,000	\$ 0.100
Granted	550,000	0.458
Exercised	(4,800,000)	0.011
Forfeited/Expired	(200,000)	0.025
Outstanding at December 31, 2017	4,800,000	0.234
Granted	4,720,000	1.805
Exercised	(760,000)	0.216
Forfeited/Expired	(450,000)	0.433
Outstanding at December 31, 2018	8,310,000	\$ 1.117

Stock options outstanding and exercisable as of December 31, 2018 were:

Exercise Price per Share	Shares Under Option		Remaining Life in Years
	Outstanding	Exercisable	
\$ 0.08	250,000	250,000	0.08
\$ 0.08	100,000	100,000	0.97
\$ 0.13	200,000	200,000	1.50
\$ 0.14	650,000	650,000	2.00
\$ 0.15	1,000,000	1,000,000	0.74
\$ 0.25	1,000,000	1,000,000	0.74
\$ 0.26	50,000	50,000	2.25
\$ 0.33	50,000	25,000	2.19
\$ 0.35	1,000,000	1,000,000	0.74
\$ 0.45	190,000	190,000	2.76
\$ 0.55	100,000	100,000	1.74
\$ 0.55	100,000	100,000	1.74
\$ 0.55	20,000	20,000	2.02
\$ 0.63	300,000	300,000	3.00
\$ 0.77	300,000	300,000	4.00
\$ 0.90	50,000	50,000	4.37
\$ 0.95	50,000	10,000	4.00
\$ 2.32	300,000	-	4.70
\$ 2.45	2,000,000	2,000,000	5.85
\$ 2.50	100,000	-	4.66
\$ 2.65	200,000	-	4.73
\$ 2.85	75,000	-	3.95
\$ 2.85	100,000	-	4.95
\$ 3.00	25,000	-	4.96
\$ 3.73	200,000	-	4.94
	<u>8,310,000</u>	<u>7,425,000</u>	

NOTE 14 – WARRANTS

During the years ended December 31, 2018 and 2017, the Company issued warrants to purchase 8,661,137 and 3,120,311 shares of common stock, respectively, at exercise prices ranging from \$0.20 to \$5.50 per share in 2018 and \$0.40 to \$0.62 per share in 2017. These warrants generally expire three or five years from issuance date. The Company recorded the fair value of these warrants of approximately \$15.7 million in 2018 (\$1.8 million as compensation expense, \$2.8 million as debt discounts, and \$11.1 million as equity discounts) and approximately \$1.0 million in 2017 (all as compensation expense).

During the year ended December 31, 2018, warrants to purchase 2,300,237 shares of common stock were exercised, at exercise prices ranging from \$0.10 to \$1.75 per share. Of these exercised warrants, 1,000,000 warrants were cashless exercises, with the exercise price paid via the surrender of 157,527 shares of common stock. No warrants were exercised during 2017.

The following table summarizes the Company's warrant transactions during the 2018 and 2017 fiscal years:

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding at December 31, 2016	1,125,000	\$ 0.136
Granted	3,120,311	0.468
Exercised	-	-
Forfeited/Expired	-	-
Outstanding at December 31, 2017	4,245,311	0.380
Granted	8,661,137	2.548
Exercised	(2,300,237)	0.385
Forfeited/Expired	-	-
Outstanding at December 31, 2018	10,606,211	\$ 2.149

At December 31, 2018, warrants to purchase 10,606,211 shares of common stock were outstanding at exercise prices ranging from \$0.12 to \$5.50 per share.

NOTE 15 – REVENUES

For the years ended December 31, 2018 and 2017, the Company's revenues were comprised of the following major categories:

	2018	2017
Real estate	\$ 5,798,996	\$ 2,517,225
Management	1,581,548	1,193,854
Supply procurement	3,657,909	1,936,686
Licensing	700,173	269,256
Consulting	50,000	150,604
Other	63,289	228
Total revenues	\$ 11,851,915	\$ 6,067,853

Revenue from two clients represented 73% and 81% of total revenues for the years ended December 31, 2018 and 2017, respectively.

NOTE 16 – NON-OPERATING INCOME

In 2017, the Company wrote off approximately \$227,000 of deferred revenue that represented the conversion of a promissory note issued to a third party by the Company's former parent, and assumed by the Company in 2011, for future products and services related to the Company's previous online portal business.

No products or services were provided by the Company, and the third party released the Company from all of its obligations to the third party and any actions or demands related thereto.

NOTE 17 – INCOME TAXES

For the years ended December 31, 2018 and 2017, the Company's cumulative net operating losses were approximately \$11.6 million and \$2.8 million, respectively, and accordingly a tax provision was not required for the years then ended.

The reconciliations between the Company's effective tax rates and the statutory tax rate for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
U.S Federal taxes at the statutory rate	21%	34%
State taxes net of federal benefit	6%	5%
Valuation allowance	(27)%	(39)%
Total	0%	0%

The approximate income tax effect of each type of temporary difference and carryforward as of December 31, 2018 and 2017 is as follows:

	2018	2017
Deferred tax assets:		
Net operating loss carryforwards	\$ 3,121,086	\$ 2,826,698
Deferred tax liabilities:		
Fixed assets	(952,875)	(10,918)
Net deferred tax asset	2,168,210	2,815,780
Valuation allowance	(2,168,210)	(2,815,780)
Total	\$ -	\$ -

The Company uses the asset and liability method to account for income taxes in accordance with ASC 740 *Income Taxes*. Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax and financial accounting bases of assets and liabilities at each reporting period. Deferred income taxes are based on enacted tax laws and statutory tax rates applicable to the period in which these differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

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

The one-time transition tax is based on the Company's total post-1986 earnings and profits ("E&P") for which the Company has previously deferred from U.S. income taxes. As of December 31, 2017, the Company recorded a provisional amount for the one-time transition tax liability of \$36 for its foreign subsidiaries, resulting in an increase of income tax provision of \$36. As of December 31, 2018, the Company has completed its calculation of the total post-1986 foreign E&P for these foreign subsidiaries. The Company has recognized an additional \$16 in its income tax expense for its one-time transition tax liability.

The Company has provided a valuation allowance against its net deferred tax assets at December 31, 2018 and 2017. Based upon the level of historical U.S. earnings and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will not realize the benefits of these deductible differences.

The federal net operating losses carryforward indefinitely, subject to an annual limitation of 80% of taxable income. The state net operating losses expire at various dates beginning in 2031. These tax attributes are subject to an annual limitation from equity shifts, which constitute a change of ownership as defined under IRC Section 382, which will limit their utilization. The Company has not completed a study through December 31, 2018 to assess whether an ownership change under Section 382 of the Code has occurred during 2018, due to the costs and complexities associated with such a study. The Company may have experienced various ownership changes, as defined by the code, as a result of financing transactions. Accordingly, the Company's ability to utilize the aforementioned carryforwards may be limited.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred through the period ended December 31, 2018. Such objective evidence limits the ability to consider the subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2018, a valuation allowance has been recorded against all net deferred tax assets as these assets are more likely than not to be unrealized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to the subjective evidence such as our projections for growth.

The Company previously adopted the provision for uncertain tax positions under ASC 740. The adoption did not have an impact on the Company's retained earnings balance. At December 31, 2018 and 2017, the Company had no recorded liabilities for uncertain tax positions and had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state jurisdictions. The Company is currently open to examination under the statute of limitations by the Internal Revenue Service and state jurisdictions for the tax years ended 2015 through 2018. Since the Company is in a U.S. loss carryforward position, carryforward tax attributes generated in prior years may still be adjusted upon future examination if they have or will be used in a future period.

NOTE 18 – RELATED PARTY TRANSACTIONS

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

In September 2017, the former CEO of the Company, who is currently a board member, exercised options to purchase 4.5 million shares of common stock at an exercise price of \$0.01 per share. This individual's aggregate exercise price of \$45,000 was paid via the surrender of 90,000 shares of common stock.

In October 2017, the Company acquired certain assets of the Betty's Eddies™ brand of cannabis-infused products, as disclosed in Note 3 – *Acquisitions*, from a company that is minority-owned by the Company's chief operating officer.

In December 2017 and January 2018, options to purchase 400,000 shares of common stock at an exercise price of \$0.025 were forfeited by the CEO and by an independent board member (200,000 shares forfeited by each individual).

In January 2018, the Company granted options to purchase 1.45 million shares of common stock to the Company's board members at exercise prices ranging from \$0.14 to \$0.77 and expiring between December 2020 and December 2022. The fair value of these options on grant date of approximately \$458,000 was amortized over the six-month vesting period.

The Company's current corporate offices are leased from a company owned by a related party under a 10-year lease that commenced August 2018 and contains a five-year extension option. Previous to this lease, the Company's former corporate offices were also leased from a company owned by a related party. For the years ended December 31, 2018 and 2017, expenses incurred under these leases approximated \$78,000 and \$24,000, respectively.

The outstanding *Due To Related Parties* balances at December 31, 2018 and 2017 of approximately \$276,000 and \$401,000, respectively, were comprised of amounts owed of approximately (i) \$81,000 and \$33,000, respectively, to the Company's CEO and CFO, (ii) \$135,000 and \$153,000, respectively, to two companies partially owned by these officers, and (iii) \$60,000 and \$215,000, respectively, to two shareholders of the Company. Such amounts owed are not subject to repayment schedules and are expected to be repaid during 2019.

The outstanding *Due From Related Parties* balance at December 31, 2017 of approximately \$135,000 (current and long-term balances in the aggregate) was comprised of an advance of approximately \$120,000 to a company partially owned by the Company's CEO and CFO, and an advance to a shareholder. During 2018, the amount owed by the shareholder was repaid, and the \$120,000 amount owed by the related company remained outstanding at December 31, 2018.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases facilities under several operating leases that 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 expected to exercise. The differences between amounts paid and amounts expensed are recorded under *Deferred Rents Payable* on the balance sheet. Certain leases require the payment of property taxes, insurance and/or maintenance costs in addition to the rent payments.

The location of the Company's leased facilities and descriptions of the 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. Also in Delaware, in March 2019, the Company entered into a lease of a 100,000 square foot warehouse that it intends to construct 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 built-out into a cannabis cultivation facility and is subleased to the Company's cannabis-licensed client under a sub-lease which is coterminous with the Company's lease for 10 years 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 which contain a 5-year extension option.
- 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.

For the years ended December 31, 2018 and 2017, rent expense approximated \$436,000 and \$183,000, respectively.

Future minimum lease payments as of December 31, 2018 under all non-cancelable operating leases having an initial or remaining term of more than one year were:

2019	\$	398,731
2020		797,120
2021		894,450
2022		882,068
2023		858,136
Thereafter		4,547,028
Total	\$	<u>8,377,533</u>

Terminated Employment Agreement

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

The Company maintained an accrual of approximately \$1,043,000 at December 31, 2018 and 2017 for any amounts that may be owed under this agreement, although the Company contends that such agreement is not valid.

NOTE 20 – SUBSEQUENT EVENTS

GenCanna Debentures Conversion

In February 2019, the Company converted the entire \$30 million investment in subordinated secured convertible debentures of GenCanna plus accrued interest through the conversion date into common stock of GenCanna equal to a 33.5% ownership interest on a fully diluted basis. As a result of the conversion, the Company will account for this investment in accordance with the equity method.

Also during this month, the Company's CEO was appointed to GenCanna's board.

Acquisitions

In February 2019, the Company contracted to purchase a 70% interest in Meditaurus LLC, a company established by Dr. Jokubas Ziburkas who holds a PhD in neuroscience and is a leading authority on hemp-based CBD and the endocannabinoid system. Meditaurus currently operates in the United States and Europe and has developed proprietary CBD formulations sold under its *Florance* brand.

Real Estate

In March 2019, the Company entered into a lease with an option to purchase a 100,000 square foot warehouse located in Milford, Delaware. The lease term is 10 years, with an option to extend the term for three additional five-year periods. Build-out of the first 60,000 square feet into a cultivation and processing facility has commenced, and is expected to be completed by October 2019.

Investment

In January 2019, the Company entered into an agreement with Maryland Health & Wellness Center Inc. ("MHWC", an entity that has been pre-approved for a cannabis dispensing license, to provide MHWC with a construction loan of \$300,000 in connection with the buildout of MHWC's proposed dispensary location. MHWC issued a promissory note to the Company for the amount of the loan at a rate of 8% per annum that matures in January 2023, provided however, upon the two year anniversary of the date of final state approval of MHWC's dispensing license, the Company shall have the right, subject to state approval, to convert the note into shares of MHWC's common stock which shall be equivalent to 20% ownership of MHWC.

Consulting Agreement

At the same time as the aforementioned investment in MHWC, the Company entered into a consulting services agreement with MHWC whereby the Company will provide advisory and oversight services to MHWC over a three-year period relating to the development, administration, operation, and management of MHWC's proposed dispensary in Maryland. The Company's fee for such services shall be equal to 20% of MHWC's net income of the business, as defined in the agreement.

Promissory Note Issuance

In March 2019, the Company raised \$6 million from the issuance of a promissory note bearing interest at the rate of 10% per annum. This note is due and payable in January 2020.

Conversion of Note Receivable

In January, the Company's note receivable balance of approximately \$258,000 from Chooze Corp. was converted into a 2.7% ownership interest in Chooze. As of the conversion date, the Company will account for this investment in accordance with the provisions of ASC 321, *Investments – Equity Securities*.

Equity Transactions

- The Company sold 799,995 shares of common stock at a price of \$3.25 per share resulting in aggregate proceeds of \$2.6 million.
- Warrants to purchased 22,000 shares of common stock were exercised at exercise prices of \$0.50 to \$0.40. The Company received exercise proceeds of \$15,800 from these exercises.
- Options to purchase 50,000 shares of common stock were exercised at an exercise price of \$0.26 per share. The Company received exercise proceeds of \$13,000 from this exercise.
- Options to purchase 350,000 shares of common stock were exercised on a cashless basis with the exercise prices paid via the surrender of 139,985 shares of common stock.
- The holder of the \$10M Debentures converted \$600,000 of principal and approximately \$97,000 of accrued interest into 233,194 shares of common stock at conversion prices ranging from \$2.90 and \$3.06 per share.
- The Company issued 97,136 shares of common stock associated with the same number common stock subscriptions outstanding on December 31, 2018.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, and in light of the weaknesses in our internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2018.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, our Chief Executive Officer and Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in *Internal Control—Integrated Framework*. Based on that assessment and using the COSO criteria, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2018, our internal control over financial reporting was not effective because of the material weaknesses described below.

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

The ineffectiveness of our internal control over financial reporting at December 31, 2018, was due to 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. These factors lead to certain adjustments which have been reflected in our audited financial statements. These weaknesses are not uncommon in a company of our size due to personnel and financial limitations.

During 2019, we intend to work to remediate the material weaknesses identified above, which is expected to include (i) the addition of accounting and financial personnel with experience in the implementation of GAAP and SEC reporting requirements, (ii) the engagement of accounting consultants on a limited-time basis to provide expertise on specific areas of the accounting literature, (iii) the modification to our accounting processes and enhancement to our financial controls, and/or (iv) the hiring of an independent consulting or accounting firm to review and document our internal control system to ensure compliance with COSO. However, our current financial position could make it difficult for us to add the necessary resources.

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

Changes in Internal Control over Financial Reporting

Other than as described above, there has been no change in our internal control over financial reporting during the period ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

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

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the name, age and position of our directors and executive officers. Our directors are elected annually and serve until the next annual meeting of stockholders. Messrs. Stolar and Gildea are independent directors, based upon the definition of “independence” used by NASDAQ, even though we are not subject to such regulation.

Name	Age	Position
Robert Fireman	70	President, Chief Executive Officer, and Chairman
Jon R. Levine	54	Chief Financial Officer, Treasurer, Secretary, and Director
Bernard Stolar	72	Director
Edward Gildea	67	Director
Thomas Kidrin	66	Director

Robert Fireman has served as our president and chief executive officer since July 2017. In addition, Mr. Fireman has been a director since our formation, and is a seasoned executive in the building of technology and consumer driven companies. Mr. Fireman was a founder and Director of Consumer Card Marketing, Inc., a pioneer in the development of retail loyalty marketing programs for the supermarket and drug store industries. This company was sold to News America Marketing, a division of News Corp. Mr. Fireman has been a practicing attorney for over 30 years. Mr. Fireman is the CEO of our wholly-owned subsidiary, MariMed Advisors Inc., a director of Worlds Inc. and a former part owner of Sigal Consulting. He has over ten years of experience in the emerging cannabis industry across the country. In February 2019, Mr. Fireman was appointed to GenCanna’s board of directors.

Jon R. Levine has served as our chief financial officer, treasurer, and secretary, and has been a director since 2016. Mr. Levine has over 9 years of experience in the cannabis industry. He brings over 18 years in commercial real estate development, management and financial services. Jon was a partner at Equity Industrial Partners a national commercial real estate management group. He also has past experience in the banking at USTrust Bank as an Asset Based Lender and in the leasing industry with AT&T Financial Services and New Court Financial as a senior credit officer. Mr. Levine has served as the CFO of our wholly-owned subsidiary, MariMed Advisors Inc., and in that capacity has been responsible for the management and reporting of most of the company’s revenue and financial transactions. Mr. Levine is a former part owner of Sigal Consulting.

Thomas Kidrin has been a director since our formation. Mr. Kidrin resigned as chief executive officer of the Company in 2017. He also held such positions from December 1997 through July 2007 in Worlds Inc. then added the title chief executive officer of Worlds Inc. since August 2007. Mr. Kidrin was also president and a director of Worlds Acquisition Corp. from April 1997 to December 1997. He has been the chairman and president of Datastream Corporation, a designer and developer of interactive products and services, since 1993. From December 1991 to June 1996, Mr. Kidrin was a founder, director, and President of UC Television Network Corp., a company engaged in the design and manufacture of interactive entertainment/advertising networks in the college market under the brand name College Television Network, the largest private network on college campuses in the United States sold to MTV in 1996 now operating under MTVU. Mr. Kidrin has attended Drake University and the New School of Social Research.

Bernard Stolar has been a director since our formation. He is noted for his expertise in both identifying and developing market-driving content and forging successful business partnerships, brings to the board over twenty years of senior-level experience within the interactive entertainment industry in all phases of company operations, including sales and marketing, product development, licensing, distribution, strategic planning and management. Mr. Stolar has served in high profile leadership roles at publicly and privately held interactive entertainment companies. Currently, Mr. Stolar is Dean of Games and Game Evangelist for Google, Inc. From February 2006 until its purchase by Google, Inc. in February 2007, Mr. Stolar was the Chairman of Adscape Media. Prior to this, he was president and chief operating officer of BAM! Entertainment, where he transformed the company from a hand-held content company to a developer and marketer of interactive entertainment for next generation video game consoles. In 2000, Mr. Stolar joined Mattel, Inc. as president of Mattel Interactive, where he was responsible for directing and reorganizing the \$1 billion Mattel Interactive division. From 1996 to 1999, Mr. Stolar served as president and chief operating officer of Sega of America, Inc. where he helped increase sales from \$200 million to over \$1 billion in three years, and orchestrated the launch of the Sega Dreamcast™, the fastest selling video game console in US history at that time. Mr. Stolar also served as executive vice president of Sony Computer Entertainment of America, where he was a key leader of the Sony Playstation® launch team, directing all third-party publishing in the U.S. Prior to that, Mr. Stolar served as president of Atari America’s game division. Mr. Stolar is a director of Worlds Inc.

Edward. Gildea has been a director since our formation. Since February 2014, Mr. Gildea has been a partner in the law firm Fisher Broyles LLP. From 2006 to 2013, Mr. Gildea was President, Chief Executive Officer and Chairman of Converted Organics Inc., a publicly held green technology company that manufactured and sold an organic fertilizer, made from recycled food waste. Mr. Gildea contributes expertise in areas of mergers & acquisitions, strategic planning, funding, business development, and executive leadership. Mr. Gildea received a B.A. from The College of the Holy Cross and a J.D. from Suffolk University Law School. Mr. Gildea's executive business experience was instrumental in his selection as a member of the Company's board of directors.

The board of directors met once during 2018 and otherwise acted by written consent during the year. The board does not have any standing committees and when necessary, the entire board acts to perform such functions.

Family Relationships

None.

Legal Proceedings

None.

Audit Committee

We do not have a separately designated standing audit committee. Pursuant to Section 3(a)(58)(B) of the Exchange Act, the entire board of directors acts as an audit committee for the purpose of overseeing the accounting and financial reporting processes, and audits of our financial statements. The Commission recently adopted new regulations relating to audit committee composition and functions, including disclosure requirements relating to the presence of an “audit committee financial expert” serving on its audit committee. We have only recently begun operations, and we are not in a position at this time to attract, retain and compensate additional directors in order to acquire a director who qualifies as an “audit committee financial expert” or to so designate one of our current directors, but we intend to either retain an additional director who will qualify as such an expert or designate one of our current directors as such an expert, as soon as reasonably practicable. Our current directors, by virtue of their past employment experience, have considerable knowledge of financial statements, finance, and accounting, and have significant employment experience involving financial oversight responsibilities. Accordingly, we believe that our current directors capably fulfill the duties and responsibilities of an audit committee in the absence of such a designated expert at this time.

Code of Ethics

We have adopted a code of ethic (the “Code of Ethics”) that applies to our principal chief executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics was filed as Exhibit 14.1 to a previous annual report. The Code of Ethics was designed with the intent to deter wrongdoing, and to promote the following:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships
- Full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the Commission and in other public communications we make
- Compliance with applicable governmental laws, rules and regulations
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code
- Accountability for adherence to the code

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, all executive officers, directors, and each person who is the beneficial owner of more than 10% of the common stock of a company that files reports pursuant to Section 12 of the Exchange Act, are required to report the ownership of such common stock, options, and stock appreciation rights (other than certain cash-only rights) and any changes in that ownership with the Commission. Specific due dates for these reports have been established, and we are required to report, in this Form 10-K, any failure to comply therewith during the fiscal year ended December 31, 2018.

We believe that all of these filing requirements were satisfied by the Company’s executive officers, directors and by the beneficial owners of more than 10% of our common stock. In making this statement, we have relied solely on copies of any reporting forms received by us, and upon any written representations received from reporting persons that no Form 5 (Annual Statement of Changes in Beneficial Ownership) was required to be filed under applicable rules of the Commission.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation paid by us during the fiscal periods ending December 31, 2018 and 2017, to our chief executive officer, chief financial officer and to our other most highly compensated executive officers whose compensation exceeded \$100,000 for the year ended December 31, 2018.

SUMMARY COMPENSATION TABLE⁽¹⁾⁽²⁾

Name and principal position	Year	Salary	Bonus	Stock Awards	Option Awards ⁽⁵⁾	All Other Compensation	Total
Robert Fireman	2018	\$ 0	\$ 10,000	\$ 0	\$ 70,164	\$ 0	\$ 80,164
President and CEO ⁽³⁾	2017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Jon R. Levine	2018	\$ 0	\$ 10,000	\$ 0	\$ 86,355	\$ 0	\$ 96,355
CFO ⁽⁴⁾	2017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(1) The compensation reported on the Table does not include other personal benefits, the total value of which do not exceed \$10,000.

(2) Pursuant to the regulations promulgated by the SEC, the table omits columns reserved for types of compensation not applicable to us.

(3) Mr. Fireman was named President and CEO of the Company in July 2017.

(4) Mr. Levine was named CFO of the Company in July 2017.

(5) Amounts represent the fair value of option awards valued on grant date using the Black-Scholes pricing model and recognized for financial reporting purposes during the year ended December 31, 2018.

Stock Option Grants

The following table sets forth information as of December 31, 2018 concerning unexercised options, unvested stock and equity incentive plan awards for the executive officers named in the Summary Compensation Table.

OUTSTANDING EQUITY AWARDS AT YEAR-ENDED DECEMBER 31, 2018

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Robert Fireman	100,000	-	-	\$ 0.08	12/20/19
Robert Fireman	100,000	-	-	\$ 0.13	06/29/20
Robert Fireman	100,000	-	-	\$ 0.14	12/31/19
Robert Fireman	100,000	-	-	\$ 0.14	12/31/20
Robert Fireman	100,000	-	-	\$ 0.63	12/31/21
Jon R. Levine	250,000	-	-	\$ 0.14	12/31/20
Jon R. Levine	100,000	-	-	\$ 0.14	12/31/20
Jon R. Levine	100,000	-	-	\$ 0.63	12/31/21

Compensation of Directors

In 2018, the board of directors adopted a resolution to cease the practice of granting options to non-employee directors as compensation for serving on the board, until such time as the board reconsiders the compensation of non-employee directors following the shareholders' vote in connection with the 2018 Stock Award and Incentive Plan, anticipated to take place at the next annual meeting of shareholders. Previous to this resolution, a non-employee director received compensation in the form of five-year non-qualified stock options to purchase (i) 100,000 shares of the Company's common stock for each year of service as a non-employee director, and (ii) 150,000 shares of the Company's common stock upon first joining the board.

The following table sets forth information concerning the compensation paid to each of our non-employee directors during 2018 for their services rendered as directors.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total
Bernard Stolar ⁽¹⁾	\$ 0	\$ 0	\$ 120,171	\$ 120,171
Edward Gildea ⁽²⁾	\$ 0	\$ 0	\$ 120,171	\$ 120,171
Thomas Kidrin ⁽³⁾	\$ 0	\$ 0	\$ 60,801	\$ 60,801

(1) Mr. Stolar held 100,000 stock options at December 31, 2018.

(2) Mr. Gildea held 650,000 stock options at December 31, 2018.

(3) Mr. Kidrin held 100,000 stock options at December 31, 2018.

Employment Agreements

An employment agreement executed in 2012 with Thomas Kidrin, the former CEO of the Company, that provided Mr. Kidrin with salary, car allowances, life insurance, stock options, and other employee benefits based on the Company reaching certain milestones, was terminated in 2017.

The Company maintains an accrual of approximately \$1,043,000 for or any amounts that may be owed under this agreement, although the Company contends that the agreement is not valid.

Stock Option Plan

On May 2011, our board of directors adopted the 2011 Stock Award and Incentive Plan which plan was presented to, and approved by, our then sole stockholder, Worlds Inc. All of the 9 million shares available for issuance under this plan have been issued, of which 8.8 million were issued to current or former directors and officers of the Company. In 2018, the board adopted the 2018 Stock Award and Incentive Plan which allows for the grants of up to 40 million shares of options, restricted stock and/or other awards, as defined in the plan, with a limit to the number of incentive stock option grants. This plan shall be presented to our shareholders for approval at the next annual meeting of shareholders. As of December 31, 2018, 3,450,000 shares were issued to officers and directors.

Compensation Committee Interlocks and Insider Participation

The Company's former CEO, Thomas Kidrin, and former CFO, Christopher Ryan, are the current CEO and CFO of Worlds Inc., the Company's former parent. During 2018, our current CEO, Robert Fireman, and current independent directors, Edward Gildea and Bernard Stolar, were all directors of Worlds Inc. We do not have a compensation committee and therefore all of our directors perform the function of a compensation committee, except that board members recuse themselves from all deliberation of the board with respect to their respective compensation to avoid compensation committee interlock.

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

The following table sets forth as of April 16, 2019, certain information with respect to the beneficial ownership of Common Stock by (i) each of our Directors and executive officers; (ii) each person known to us who owns beneficially more than 5% of the common stock; and (iii) all Directors and executive officers as a group.

OFFICERS, DIRECTORS AND BENEFICIAL OWNERS, AS OF APRIL 16, 2019

Name & Address of Beneficial Owner ⁽¹⁾	Amount & Nature of Beneficial Owner	% of Class ⁽²⁾
Robert Fireman	23,755,218 ⁽³⁾	11.2%
Jon R. Levine	26,706,517 ⁽⁴⁾	12.6%
Edward Gildea	529,391 ⁽⁵⁾	0.2%
Bernard Stolar	382,624	0.2%
Thomas Kidrin	4,893,358 ⁽⁶⁾	2.3%
Timothy Shaw	10,849,508	5.1%
Gerald McGraw	17,729,932	8.3%
James Griffin	17,179,932	8.1%
All directors and executive officers as a group (six persons)	67,116,616 ⁽⁷⁾	31.6%

(1) The business address for each person named is c/o MariMed Inc., 10 Oceana Way, Norwood, MA 02062.

(2) Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934 whereby shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by a person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. We believe that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by them (subject to community property laws where applicable) and except where otherwise noted.

(3) Includes 500,000 currently exercisable stock options.

(4) Includes 450,000 currently exercisable stock options.

(5) Includes 400,000 currently exercisable stock options.

(6) Includes 100,000 currently exercisable stock options.

(7) Includes 1,450,000 currently exercisable stock options

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

As disclosed in Note 3 – *Acquisitions* to the Company’s audited financial statements at December 31, 2018, the current CEO and CFO of the Company were part of the ownership group from whom Sigal Consulting LLC was acquired in May 2014. The 49% ownership in the Company’s subsidiary, MariMed Advisors Inc., which this ownership group acquired as part of the purchase price, was acquired by the Company from this ownership group in June 2017 in exchange for 75 million shares of the Company’s common stock.

In September 2017, the former CEO of the Company, who is a currently a board member, exercised options to purchase 4.5 million shares of common stock at an exercise price of \$0.01 per share. This individual’s aggregate exercise price of \$45,000 was paid via the surrender of 90,000 shares of common stock.

In October 2017, the Company acquired certain assets of the Betty’s Eddies™ brand of cannabis-infused products, as disclosed in Note 3 – *Acquisitions* to the audited financial statements, from a company that is minority-owned by the Company’s chief operating officer.

In December 2017 and January 2018, options to purchase 400,000 shares of commons stock at an exercise price of \$0.025 were forfeited by the CEO and by an independent board member (200,000 shares forfeited by each individual).

In January 2018, the Company granted options to purchase 1.45 million shares of common stock to the Company’s board members at exercise prices ranging from \$0.14 to \$0.77 and expiring between December 2020 and December 2022. The fair value of these options on grant date of approximately \$458,000 was amortized over the six-month vesting period.

The Company’s current corporate offices are leased from a company with common ownership under a 10-year lease that commenced August 2018 and contains a five-year extension option. Previous to this lease, the Company’s former corporate offices were also leased from a company with common ownership. For the years ended December 31, 2018 and 2017, expenses incurred under these leases approximated \$78,000 and \$24,000, respectively.

At December 31, 2018 and 2017, the Company owed approximately (i) \$81,000 and \$33,000, respectively, to the Company’s CEO and CFO, (ii) \$135,000 and \$153,000, respectively, to companies partially owned by these officers, and (iii) \$60,000 and \$215,000, respectively, to two shareholders of the Company. Such amounts owed are not subject to repayment schedules and are expected to be repaid during 2019.

At December 31, 2017, the Company was owed approximately \$120,000 from a company partially owned by the Company’s CEO and CFO, and \$15,000 from a shareholder. During 2018, the amount owed by the shareholder was repaid, and the \$120,000 amount owed by the related company remained outstanding at December 31, 2018.

Director Independence

We are not currently a “listed company” under SEC rules and are therefore not required to have a board comprised of a majority of independent directors or separate committees comprised of independent directors. We use the definition of “independence” under the NASDAQ Rules, as applicable and as may be modified or supplemented from time to time and the interpretations thereunder, to determine if the members of our board are independent. In making this determination, our board considers, among other things, transactions and relationships between each director and his immediate family and us, including those reported in this 10-K under the caption *Certain Relationships and Related Transactions*. The purpose of this review is to determine whether any such relationships or transactions are material and, therefore, inconsistent with a determination that the directors are independent. On the basis of such review and its understanding of such relationships and transactions, our board has determined that Messrs. Stolar and Gildea are independent and Messrs. Kidrin, Fireman and Levine are not independent.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Fees Billed for Audit and Non-Audit Services

The following table represents the aggregate fees billed for professional audit services rendered by the independent registered public audit firms of (i) L&L CPAs P.A. (“L&L”) for the audit of the annual financial statements for the year ended December 31, 2017, and (ii) M&K CPAs PLLC (“M&K”) for the audit of the annual financial statements for the years ended December 31, 2018.

The change of audit firms, as fully explained in our 8-K filing on December 6, 2018, was due to L&L’s inability to rotate audit partners as required by Section 10A of The Securities Exchange Act of 1934 and Section 203 of the Sarbanes-Oxley Act of 2002. There were no disagreements with L&L on any matters, and no “reportable events” as defined in Item 304(a)(1)(v) of Regulation S-K. L&L had issued “clean” audit opinions on the Company’s financial statements.

On December 5, 2018, our board of directors engaged M&K to be the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2018. The Company did not, nor did anyone on its behalf, consult M&K prior to its engagement regarding the application of accounting principles, the type of audit opinion that might be rendered, or any matter that was either the subject of a “disagreement” or a “reportable event,” each as defined in Regulation S-K Item 304(a)(1)(v).

Audit and other fees of our independent registered public auditors are shown below.

Year Ended December 31	2018	2017
Audit Fees ⁽¹⁾	\$ 61,000	\$ 54,000
Audit-Related Fees ⁽²⁾	0	0
Tax Fees ⁽³⁾	9,000	9,000
All Other Fees ⁽⁴⁾	0	0
Total Accounting Fees and Services	\$ 70,000	\$ 63,000

- (1) Audit Fees. These are fees for professional services for the audit of our annual financial statements, and for the review of the financial statements included in our filings on Form 10-Q, and for services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees. These are fees for the assurance and related services reasonably related to the performance of the audit or the review of our financial statements.
- (3) Tax Fees. These are fees for professional services with respect to tax compliance, tax advice, and tax planning.
- (4) All Other Fees. These are fees for permissible work that does not fall within any of the other fee categories, i.e., Audit Fees, Audit-Related Fees, or Tax Fees.

Pre-Approval Policy for Audit and Non-Audit Services

We do not have a standing audit committee, and the full board performs all functions of an audit committee, including the pre-approval of all audit and non-audit services before we engage an accountant. All of the services rendered to us by our independent registered public auditors were pre-approved by our board of directors.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

We have filed the following documents as part of this Form 10-K:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statement on page 23.

2. Financial Statement Schedules

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

3. Exhibits

Exhibit No.	Description
3.1	<u>Certificate of Incorporation of the Company (a)</u>
3.1.1	<u>Amended Certificate of Incorporation of the Company (b)</u>
3.2	<u>By-Laws - Restated as Amended (a)</u>
10.1	<u>Employment Agreement dated as of August 30, 2012 between Worlds Online Inc. and Thomas Kidrin (a)</u>
10.2	<u>2011 Stock Option and Restricted Stock Award Plan (a)</u>
10.3	<u>Form of Convertible Debenture issued by the Company (c)</u>
10.4	<u>Form of Secured Convertible Debenture of GenCanna Global, Inc. (c)</u>
10.5	<u>Form of Securities Purchase Agreement between the Company and YA II PN, LTD. (c)</u>
10.6	<u>Amended and Restated Registration Rights Agreement dated as of November 5, 2018 between the Company and YA II PN, LTD. (c)</u>
21	<u>List of Subsidiaries *</u>
31.1.	<u>Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer *</u>
31.2.	<u>Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer *</u>
32.1.	<u>Section 1350 Certifications of Chief Executive Officer **</u>
32.2.	<u>Section 1350 Certifications of Chief Financial Officer **</u>
101.INS XBRL	Instance Document *
101.SCH XBRL	Taxonomy Extension Schema *
101.CAL XBRL	Taxonomy Extension Calculation Linkbase *
101.DEF XBRL	Taxonomy Extension Definition Linkbase *
101.LAB XBRL	Taxonomy Extension Label Linkbase *
101.PRE XBRL	Taxonomy Extension Presentation Linkbase *

(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.

* Filed herewith

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

ITEM 16. FORM 10-K SUMMARY

None.

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MARIMED INC.

GENERAL INFORMATION

EXECUTIVE OFFICERS

Robert Fireman
President, Chief Executive Officer and Chairman of the Board

Jon R. Levine
Chief Financial Officer, Treasurer, Secretary and Director

BOARD OF DIRECTORS

Robert Fireman, Chairman of the Board

Jon R. Levine

Bernard Stolar

Dave Allen ⁽¹⁾

Edward Gildea ⁽²⁾

(1) Chair of the Audit Committee.

(2) Member of the Audit Committee

SHARES LISTED

OTCQX

Trading Symbol – “MRMD”

2019 ANNUAL MEETING OF STOCKHOLDERS

Hilton Boston/Dedham Hotel

25 Allied Drive, Dedham, MA 02026

Thursday, September 26, 2019 at 10:00 AM, EDT

CORPORATE & SECURITIES COUNSEL

Kurzman Eisenberg Corbin & Lever, LLP

One North Broadway, 12th Floor

White Plains, New York 10601

INDEPENDENT PUBLIC ACCOUNTANTS

M&K CPAS, PLLC

363 N Sam Houston Parkway E Ste 650

Houston, TX 77060

TRANSFER AGENT AND REGISTRAR

Olde Monmouth Stock Transfer Co, Inc

200 Memorial Parkway

Atlantic Highlands, NJ 07716

Tel: 732-872-2727

INVESTOR & MEDIA CONTACT:

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