

MariMed Inc

(MRMD)

(2021/09)

Cannabis

- The industry of marijuana/cannabis has tried hard to change the image and idea of marijuana.
 - Businesses prefer the term **cannabis** rather than the word “marijuana” because the word of marijuana is associated with drug lord, violence, and illegality.
 - Also, cannabis entrepreneurs like the term “**adult-use**” instead of “recreational use”. The reason for the term “adult-use” assumes that adults will bear more responsibility than recreation.
 - <https://www.substancemarket.com/recreational-adult-use-marijuana/>
 - <http://marijuanapolitics.com/call-adult-use/>
- [Charlotte’s Web – A tearful but blessed story, Charlotte Figi, five years old then, a hero of CBD movement \(Link\).](#)
 - There is only four states that are still fully illegalizing marijuana in the U.S.
 - Only 13 states have not legalized medical use of marijuana. It means probably more than 60 votes from the US Senate agree that marijuana should not be categorized as a schedule I controlled substance.
 - 19 states have legalized cannabis/marijuana for medical and adult use. 38 votes from US Senate to legalize cannabis at Federal level.
 - [See the map of legalization of cannabis by states.](#)
- Decriminalization and legalization trend continues at state level
 - 2021 adult-use legalization
 - [Connecticut](#)
 - [Virginia](#)
 - [Montana](#)
 - [Pew Research found more and more Americans favor legalization of cannabis as younger generation replace older generation \(Link\).](#)

- o [Current \(2021\) cannabis reform proposals for each states \(link\).](#)
- o None of states has actually fully legalized the use of cannabis. There are criminal penalties in quantity, use, possession, production of cannabis. For examples
 - [Virginia delisted marijuana as controlled scheduled substance, but penalty with felony/misdemeanor charges depend on quantity possessed \(page 182-190\) \(link\).](#)
 - [D.C. designates cannabis as a schedule III controlled substance \(link\).](#)
 - [North Carolina puts marijuana in the category of schedule VI controlled substance \(page 66\) \(link\).](#)
- The significant of legalization of adult-use cannabis in Virginia
 - o Virginia is the first southern state to legalize the adult-use of cannabis
 - o Virginia is the third largest tobacco farming states behind North Carolina and Kentucky.
 - o Also, [tobacco consumption has been declining through years \(link\).](#) Except, [the consumption increase in 2020 \(link\).](#)
- Tax and Fees on cannabis business.
 - o Netflix made a miniseries – The Business of Drugs. [One of episodes is Cannabis \(click to watch, subscription needed\).](#)
 - Interviews in this episode indicate that state, local and city governments [charge high fees and extra taxes on the businesses of cannabis \(link\).](#)
 - Also, IRS disallows most business expenses relate to sale of cannabis to be deducted from revenues to calculate income tax, such as depreciation, employee salary and benefit. For example, \$100 sale of cannabis, \$40 cost of goods, and \$23 operating expense, but IRS disallows \$33 out of \$63 as expenses. In an ordinary business, IRS taxes on \$27 income (\$100-\$40-\$23). However, cannabis business is taxed on \$70 income (\$100-\$40-\$23+\$33). [Internal Revenue Code Section 280E \(link\)](#) disallows illegal-legitimate businesses to deduct business expenses because cannabis business is illegal business at Federal level.
 - [States tax as percentage of price, based on weight, based on drug potency \(link\).](#)
 - [Status of State Taxation/Sales of Marijuana \(link\).](#)
 - o From the interviews in The Business of Drugs: Cannabis, entrepreneurs complain about high fees, extra taxes, financial obstacles, unfair tax

treatment, and business competition. Also, the numbers presented indicate those complaints are actual. However, those entrepreneurs seem excited by their business and prosperity in spite of financial burden and obstacles. Is cannabis a high margin business so that it is highly profitable even with so much financial burden on this industry?

- Legality for investing in cannabis business. This is an important topic for investing in cannabis businesses because cannabis, for the most part, is still illegal at Federal level. Nevertheless, owning a portion of shares of a publicly traded cannabis business is safe legally (not financially, no guarantee the company will financially succeed).
 - [2015/06/25 Federally illegal \(link\)](#), but it is evolving.
 - [Individual investors are unlikely to face criminal charges \(link\)](#).
 - **In 2009**, DOJ issued guidance (Ogden Memo) stating medical marijuana operations in medical marijuana states are not a prosecutorial priority ([page 69](#)).
 - In 2012**, DOJ released another memorandum (Code Memo I) stating that large scale commercial cannabis grow operations are an enforcement priority even for state medical marijuana users ([page 69](#)).
 - In 2013**, after Colorado and Washington legalized adult-use cannabis, DOJ updated its guidance establishing enforcement priority relating cannabis – sale to minors, related to gangs, diversion, etc ([page 71](#)).
 - In 2014**, Treasury and DOJ issued guidance to enable banks to have commercial relationships with marijuana businesses even recreational one. In the same year, Congress’s federal spending law contained a provision that prohibits the DEA and DOJ from preventing implementation of state medical marijuana laws ([page 71](#)).
 - By 2015**, over 1.5 million Americans had received recommendations from medical doctors to use marijuana ([page 66](#)).
 - 2020/05/29 [Congressional Research Service – Issued study that discussed marijuana legalization at states and federal drug law, their division, and consideration for the Congress, a brief review \(link\)](#).
 - [Things to consider before investing in cannabis publicly traded stocks.](#) (2019/07/29)

Summary

- Investing in MariMed Inc. involves a **high degree of uncertainty**.
 - Business of cannabis is still a Federal crime with some tolerance, and some states still consider any activities involving cannabis a crime. All cannabis businesses will be in trouble if the U.S. Supreme Court makes a 180 degree turn against the current trend (as Roe v Wade could be overturned).
 - Investing in cannabis is not suitable for everyone due to personal belief, religion, professional reasons, or career securities (best ask for lawyers on this). However, Dr Selhub has been an independent director of Company since 2019. [Dr. Selhub held 100,000 stock options at December 31, 2020 \(link\)](#).
[Dr. Eva Selhub M.D. \(link\)](#).
 - This industry is in an early stage of development which means a lot of cannabis companies will not succeed and prosper, eventually many of them will go bankrupt.
 - MariMed is listed and traded on OTC (Over the Counter). It means that securities traded on OTC are less restricted by rules of listing. Moreover, fewer or zero analysts are tracking them in turn they are less reviewed by financial professionals.
 - The stock price usually behaves very volatile in this kind of stock, tiny in size and revenue, trading in OTC (Wolf of Wall Street).
- So far, company only own cannabis license in the states of MA and IL. **It means licensed clients can move out facilities when lease term expired, and company will lose revenue from rental and management service, such as Kind Therapeutic if company would lose civil trial (see Lawsuit with Kind Therapeutics in Note)**. Company can only rely on that its management and operating services are better than others, plus its brand name products which must win customer favor.
- As 06/30/2021, Company is still highly leveraged with \$17.9 million debt/mortgage and \$24.8 million equity.
- **Conflict of interest. Even though MariMed is a public listed company, executives behave like that they in a private, family owned business. Financial transactions between executives and company are fairly common in tiny companies like this, but there seems too many in here. More details are in Stewardship of Management in NOTE.**

- Increases of revenue and income from first and second quarter of 2021 are from operations in the state of MA and IL where company consolidates with clients and holds cannabis licenses for medical use and adult-use.
- Favorable trend and condition are major factor to invest in cannabis
- Low price related to its value and cash flow positive are another favorable reason to invest in MariMed Inc.
- Investors **SHOULD NOT** EXPECT FAST GROWTH. The best strategy of growth for MariMed Inc is to increase the sale of products from the expansion of cultivation, production and dispensary. But such expansion requires licenses and permits from state and local government, and license/permit approval processes are long, complex, and limited. It will be much slower than traditional manufacturing and retailing.
- *More importantly, close and continuous watch is necessary due to the factors of stewardship of management, tiny size of the company, and emerging of the cannabis industry.*

Things to Watch quarterly until proven:

- Does conflict of interest transactions increase or stay the same or decrease? Even though, some of them have very legit reasons that they are derivate from business acquisition such as Betty's and equipment purchases, avoiding them is the best in shareholders' interest.
- Why stewardship of management is important. It is related to investors' confidence **in trust** to management. Without trust investors are not willing to put their hard earning money in management's hands.
- Debt. Pay close attention to the level of debt. In the past, MariMed had high level of debt and insufficient/negative operating cash flow. "Companies that have no debt can't go bankrupt", quote from Peter Lynch.
- Growth on top line and bottom line. A company's stock is tied to a company's fundamentals and performance. No stock price can rise and be sustained without the support from company's good business performance.

Business

- Company develops, operates, and manages more than 300,000 square feet of government regulated facilities. Company directly operates some of facilities to cultivate, produce, and market cannabis and cannabis infused products. Also, Company rents out the facilities to clients and helps them with their operation of cannabis.
- Company's main source of revenue
 - Product sale: Direct sale of cannabis and cannabis infused products by company's retail dispensaries and wholesale operation and sale of hemp and hemp infused products
 - Real estate: Rental income and rental fees from leased facilities to licensed clients. Rental income is fixed per month with escalation over leasing term. Leasing terms including:
 - Rent holidays
 - Escalating rent over time
 - Option to renew
 - Requirement to pay property tax
 - Insurance and/or maintenance cost
 - Contingent rental payments based on tenant monthly revenue
 - Management: Fee from providing comprehensive oversight of clients' cultivation, production, and dispensary operations. Fees are based on a percentage of client's revenue
 - Supplies Procurement: Company acts as a wholesale distributor acquires resources, supplies, and equipments and resell to its clients or third parties
- Company owns following properties
 - Delaware – 45,000 sqft purchased in 2016, for cultivation, processing, and dispensary. Lease term 2017-2035
 - Maryland – 180,000 sqft purchased in 2017, for cultivation and processing. Lease term 2018-2037
 - Massachusetts – 138,000 sqft. Half of available footage is leased to non-cannabis business. Lease term 2017-2022.

- Company completes acquisition of cannabis licenses and business in the states of MA and IL. Company becomes fully seed-to-sale operators of cannabis business.
- Development prior to MariMed Inc.
 - In 2012, MariMed team (it should mean former Sigal Consulting LLC) came together to develop the Thomas C Slater Compassion Center in Rhode Island. This seed to sale medical cannabis facility became the foundation that MariMed has utilized in all the cultivation, production and dispensing facilities it has designed and managed.
 - [2014/09/29 Company \(formerly World Online \(OTCBB: WORX\) completes acquisition of Sigal Consulting LLC and obtains \\$2 million of working capital \(link\).](#)
 - OTCBB – NASDQ Over The Counter Bulletin Board.
 - 2014/09/29 MariMed Advisors Inc, a wholly owned subsidiary of World Online, acquired 100% of Sigal Consulting LLC. In exchange, the members (sellers) of Sigal Consulting LLC, Robert Fireman, Gerald J. McGraw Jr., Jon R. Levine and James E. Griffin Jr., would own 32 million common share of World Online and have an option to purchase additional 3 million common shares for transfer of ownership of Sigal Consulting. Additional to the common shares, sellers would also own 49% of MariMed Advisors (which is completely acquired by MariMed Inc in 2017. See below). [Four member of former Sigal Consulting still own 26.6% of MariMed Inc at the end of fiscal 2020 after significant dilution of company's common shares \(link\).](#)
 - Sigal Consulting LLC was a consulting firm who helped clients obtain license to operate facilities of cultivation, production, and dispensing of cannabis for medical and adult-use.
 - Company conducted business of helping clients to obtain cannabis licenses for cultivation, production, distribution and to operate dispensaries through CEO Robert Fireman of MariMed Advisor a subsidiary of Company.
 - MariMed Advisor also helped client manage and operate facilities and dispensaries for a fee and rental for facility space.
 - 2014/11/04 Company (formerly World Online) successfully helped a client secure the first provisional medical cannabis license in Nevada.
 - 2014/11/12 MariMed Advisors, a subsidiary of formerly World Online, acquired exclusive license and assets of DispensaryPermits.com, medical marijuana license advisory services.

- o 2015/02/12 Company (formerly World Online) join a group of 60+ representatives of cannabis industry on Capitol Hill to discuss the unfair treatment for banking and taxation on cannabis businesses with dozens of lawmakers
- o 2015/07/02 First State Compassion Center of Delaware opened its business to medical marijuana patients. MariMed Advisors, a subsidiary of former World Online, has been assisting First State for more than a year since its infancy of business providing services from license application, site selection, design, cultivation, security, staffing, operation, and raising capital.
- 2017/05/11 Company acquired remaining 49% of MariMed Advisors (see 2014/09/29). After acquiring remaining 49% of ownership of MariMed Advisors, Company (formerly World Online) owns 100% of MariMed Advisor and spin-off 3D virtual business. Company paid 75 million of company common shares for the acquisition. Also Company changed its name **to MariMed Inc (MRMD)**. Robert Fireman owned 23.6 million shares (13.1% of outstanding shares) and Jon R Levine owned 26.6 million shares (14.8%) at the end of fiscal 2017. At the end of fiscal 2020, both persons owned almost same amount of common shares as at the end of year 2017; however the percentage of ownership is down about 50% due to new issued common shares for acquisitions through years.
- At this point of business development, company operation had shifted to MariMed Advisors. Robert Fireman (CEO) and Jon Levine (CFO) of MariMed Advisors, both persons also were co-founders of Sigal Consulting LLC, basically took over control of the company operation (75 million common shares vs. [64 million shares outstanding at the end of 2016 \(link\)](#)). Later, both persons became CEO and CFO of MariMed Inc. respectively.
- 2017/06/22 Company helped Harvest Foundation obtains license and permits for cannabis cultivation and production from the state of Nevada.
- Revenue increases significantly beginning in 2017
- 2017/07/11 Company raises capital of \$5.15 million to fund clients' medical cannabis facilities in Maryland and Delaware mainly real estates.
- 2017/09/19 Tikun Olam announces an expansion of their licensing agreement for Tikun Olam products to be grown, manufactured and sold through MariMed Inc. network. [Tikun Olam's products have been used since 2010 in ongoing clinical trials in Israel's regulated medical cannabis market, treating over 10,000 patients for a variety of symptoms of medical conditions \(link\)](#).
- In late 2017, Company acquires Betty's Eddies brand and IP from Icky Enterprise LLC, a brand of cannabis infused fruit chews, which become one of the best selling lines. This acquisition is paid with cash, MariMed common shares, and

royalties. [Betty's Eddies cofounder Ryan Crandall becomes Company's VP of product and sale and Chief Product Officer later \(link\).](#)

- 2017/11/21 MariMed and client Kind Therapeutics received inspection approval of its facility at Hagerstown Maryland from Maryland Cannabis Commission. MariMed leases the facility to Kind Therapeutics and provides operation management for rent and management fee.
- 2018/01/30 Company received permit from the town of Middleborough MA to build medical cannabis facility in town. This will be the 6th MariMed owned facility to sell MariMed owned Kalm Fusion and Betty's Eddies, and MariMed licensed Tikun Olam brand MMJ (medical marijuana/medical cannabis) products and strains. Facility will be leased to ARL Healthcare, a MA RMD (registered marijuana dispensary licensee).
- 2018/03/12 Company introduced Kalm-Corn, cannabis infused popcorn, and Kalm Powered Tincture drink mix in either THC or CBD formulation in Nevada.
- 2018/03/15 MariMed raised \$2.83 million for continuing development of cannabis facilities in Maryland and MA
- 2018/04/24 Company introduced the new brand of Nature's Heritage to be produced by Kind Therapeutics and to be distributed in MD
- 2018/08/02 Company announced that it signed a global licensing agreement with [Vitiprints](#) for worldwide production and distribution rights in existing and future legal cannabis markets. The agreement extends to all cannabis products using Vitiprints proprietary technology. Using Vitiprints technology, Company can produce all forms of cannabis product with precision. [How Vitiprints work videos.](#)
- 2018/10/29 Company finalized the acquisition of BSC Group of New Jersey who engaged licensing, consulting and operation managements. Founders, Brian Staffa and Amber Staffa, would join the MariMed leadership. Cannabis is legalized for medical and adult use in New Jersey now.
- 2018/11/27 Company secured \$14.7 million capital from Navy Capital
- 2019/04/25 Company announced that it will acquire 70% stake of MediTaurus LLC, the owner of Florance brand of CBD products and intellectual property of cannabis formulations.
- 2019/07/30 Company signed a licensing agreement with Binske, a Denver-based company to manufacture and distribute a portfolio of Binske products in seven states, IL, MA, RI, MD, DE, OH, and ME.
- 2019/08/22 Company received certification of occupancy from the city of New Bedford, MA for its new cannabis cultivation and manufacturing facility which will be operated by ARL Healthcare. [ARL Healthcare, a MA licensed cannabis operator, would be acquired by Company later.](#)

- 2019/10/21 Company completed the acquisition of KPG Anna and KPG Harrisburg, two cannabis licensed clients, in IL. Illinois has legalized adult-use cannabis.
- 2021/03/02 Company closed a \$46 million of financial facility: \$23 million of Unit (\$3.70 per Unit). One Unit = One Preferred C share + One common stock purchase warrant. And one Preferred C share convertible = 5 common stock shares. Again, such transaction will increase the number of outstanding common shares and dilute shareholders earning.
- MariMed Inc. created a brand Kalm Fusion, a brand of infused cannabis product, and company has introduced those products into more than 40 dispensaries in IL.

Acquisitions & Partnership

- In 2016 – 2017 MariMed introduced the Kalm Fusion brand. It is unclear who the developer of Kalm Fusion actually is, either Sigal Consulting or MariMed Advisors, due to the reason that there are still a lot of royalties paid to executives (See Stewardship of Management)
- Acquired Betty's Eddies Brand in 2017, and *Co-founder of Betty's Eddies, Ryan Crandall, jointed company and became Chief Product Officer.*
- \$30 million investment in GenCanna Global on Nov, 2018 (Chapter 11 bankruptcy on Feb, 2020)
- Acquisition of 70% of MediTaurus, *co-founder Dr. Jokūbas Žiburkus joins MariMed Inc as Chief Innovation Officer* on April, 2019
- ARL Healthcare licensed in 2019 with 3 licensed permits to operate three dispensaries in MA. MariMed Inc acquired ARL Healthcare and its licenses for cultivation, production and dispensing (Panacea Wellness).
- Panacea Wellness opened on 2019/12 under ARL Healthcare (additional two licenses are in progress)
- Thrive Harrisburg and Thrive Anna opened for medical cannabis on April, 2016. Company acquired KPG Harrisburg and KPG Anna (owner of Thrive stores). Approval of license transfer of KPG Anna, KPG Harrisburg to MariMed in 2019

(local partners - Gorgi and Rosie Naumovski stayed on and continued to manage Thrive Dispensary stores).

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- Licensed brand Tikun Olam
- Product licensing agreement with Binske Brands in seven states on July, 2019
- Partner with Tropizen Pique (Puerto Rico) – Licensing agreement in 2019

Company owned brand cannabis

- Betty's Eddies
- Kalm Fusion
- Nature's Heritage

Notes

- **Lawsuit with Kind Therapeutic USA Inc**
 - o In 2016, members of Kind Therapeutic USA and company agreed to form a partnership venture
 - o Progress of Kind Therapeutic USA
 - Kind Therapeutics USA is located at 504 First Street, Hagerstown MD 21740. Land 4 acres, space 149,000 sqft. Property owner Mari Holdings MD LLC.
 - Kind Therapeutics principle office is at address above
 - Kind's resident agent – Jennifer Dipietro
 - Kind registered on 7/30/2015

- In the fall 2016 members of Kind (Jennifer DiPietro, [Susan Zimmerman](#)([she is in another lawsuit, click here](#)), Sophia Leonard-Burns) and [Company agreed a partnership joint venture with company owns 70% of joint venture \(link\)](#).
 - **Possible complication of involving DOJ** due to the fact that Susan Zimmerman involved in the case abovementioned and her relationship with Kind Therapeutics.
- In December 2018, Company and members of Kind entered into a MOU (memorandum of understanding) for company to acquire 100% of interest of Kind for the total purchase price of \$6.3 million in cash and 2.5 million shares of company's common stock.
- In December 2018 Kind and company entered leasing agreement for facilities at Hagerstown Maryland, Licensing and Manufacturing Agreement (LMA), and management service agreement (MSA) which company would provide comprehensive management service to Kind for operating cannabis business.
- In 2019, member of Kind sought to renegotiate the MOU and original partnership joint venture, but both parties were in an impasse. Subsequently, both parties commenced legal proceeding. Case Number: C21CV19000670 at [Washington County Circuit Court \(click and choose agree, type in company name Kind Therapeutics\)](#).
(Share price of MariMed Inc dropped from \$3.6 to under \$1.0 in the period of 2019 and continued to decline to under \$0.20 through 2020. A lot of people are very upset)
- In November 2020, court granted company summary judgment to Lease, as Lease is valid and enforceable. Company is seeking \$5.4 million for past due rent and expense at the trial.
- In December 2020, court determined that the validity and enforceability of MSA and LMA is likely to succeed in later trial and to protect interest from harm, court ordered MSA and LMA are in effect pending judgment after trial on merits. Therefore, Kind and its members, employees, representatives, agents, attorneys are prohibited from
 - Interfering operations under MSA;
 - Withdraw funds, make distribution, pay loan, return capital, make payment toward debt from Kind bank or accounts without consent from Company;
 - Effectively until the conclusion of the jury trial

- Jury trial is scheduled on March 28, 2022
 - Court ordered Kind to pay management and licensing fee to company beginning 01/01/2021
 - Kind filed an appeal of the Orders to the Maryland Court of Appeal.
 - On 03/18/2021, Court issued an order and opinion that MOU was not enforceable by company
- o **MSA, LMA and original partnership joint venture will be decided by jury trial.**
- o The increase of MariMed's stock price to a certain degree will mostly solve the lawsuit/problem. [In a 5-year stock price chart of MRMD \(link\)](#) , stock price reached above \$5.00 per share at the end of 2018. At that time, partners should be very happy to own the stock of MariMed, but they were not happy when the stock price declined dramatically (lost more than 80% of its value) during the course of 2019 to below \$1.00. Yes, of course. Partners wanted to invalidate the agreement.
- **Failed Investment in other entities**
 - o MembersRSVP LLC – August 2018, \$300,000 and 378,259 common shares of company exchange for 23% of ownership in MembersRSVP. 06/30/2020, company recorded a investment loss of \$33,000. In January 2021, company entered agreement with MembersRSVP that company transferred 11% of ownership in MembersRSVP back to MembersRSVP in exchange for a release from further obligation by company to make further investment.
 - o GenCanna Global USA, Inc. ("GenCanna" or the "Company") announced today it has filed a petition for voluntary Chapter 11 reorganization with the U.S. Bankruptcy Court in the Eastern District of Kentucky. Company lost around \$60 million in investment and supplies. **Evne worse, Company raised fund for this investment through debt. One thing MariMed did right was written-off \$30.3 million of investment made to GenCanna and recorded a reverse of \$29 million against account receivables from seed sale to GenCanna early on.**
- **Stewardship of Management**
 - o Company's corporate offices are leased from an entity which company's CFO (Jon Levine) has an investment interest ([Click, page 31](#)).
 - o **Company purchases ingredients, lab equipments, cultivation supplies, and tools from a supplier whom is owned by company's COO's (Tim Shaw) family ([Click, page 31](#)).**
 - o **The Company pays royalties on the revenue generated from its Betty's Eddies® product line to an entity owned by the Company's COO and its**

SVP of Sales (Chief Product Officer Ryan Crandall) under a royalty agreement. This agreement was amended effective January 1, 2021 whereby, among other modifications, the royalty percentage changed from 2.5% on all sales of Betty's Eddies® products to (i) 3.0% and 10.0% of wholesale sales of existing products within the product line if sold directly by the Company, or licensed by the Company for sale by third-parties, respectively, and (ii) 0.5% and 1.0% of wholesale sales of future developed products within the product line if sold directly by the Company, or licensed by the Company for sale by third-parties, respectively. The aggregate royalties due to this entity in the six months ended June 30, 2021 and 2020 approximated \$162,000 and \$148,000, respectively ([Link, page 31](#)).

- o In the six months ended June 30, 2021 and 2020, one of the Company's majority owned subsidiaries paid aggregate distributions of approximately \$21,000 and \$19,000, respectively, to the Company's CEO and CFO, who own minority equity interests in such subsidiary ([Link, page 31](#)).
- o In the six months ended June 30, 2021, the Company purchased fixed assets and consulting services of approximately \$573,000 in the aggregate from two entities owned by two of the Company's general managers. No payments were made to these two entities in the same period in 2020 ([Link, page 31](#)).
- o In the six months ended June 30, 2021 and 2020, the Company purchased fixed assets of approximately \$466,000 and \$145,000 from an entity owned by an employee ([Link, page 31](#)).
- o The balance of *Due To Related Parties* at December 31, 2020 of approximately \$1.2 million was comprised of amounts owed of approximately (i) \$460,000 to the Company's CEO, (ii) \$653,000 to entities owned by the Company's CEO and CFO, and (iii) \$45,000 to a stockholder of the Company. All amounts owed were repaid in March 2021 ([Link, page 31](#)).
- o The Company's mortgages with Bank of New England, DuQuoin State Bank, and South Porte Bank are personally guaranteed by the Company's CEO and CFO.
- Cannabis industry has difficulty to finance through banking system due to the illegal status in Federal level. Financial terms are usually very generous for lenders.
- Company initially operated [from real estate side of operation for investors \(link\)](#) – a lesson from California.

- Company frequently funds its expansion through raising equity capital or convertible debts (debt contains an option which can be converted into common stock). Also, Company utilizes common equity for acquisitions. In this strategy, financial burden for Company will be less even though the effect of this strategy is equity dilution. **More importantly, acquiree and creditors are most likely having confidence in cannabis business and that MariMed Inc's equity will grow significantly. Examples:**
 - The entire outstanding principal balance of the New Note, all accrued and unpaid interest thereon and all other amounts required to be paid thereunder are due and payable on the Maturity Date. The New Note is convertible into shares of the Registrant's common stock at the option of the Holder at \$0.35 per share (link). (lender, SYYM LLC)
 - the Company issued to the Sellers (KPG Anna, KPG Harrisburg) one million (1,000,000) shares of its common stock which constituted the aggregation purchase price paid (link).
 - 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 (link).
 - The MOU between Company and Kind Therapeutics provides for a total purchase price of \$6.3 million in cash, 2,500,000 shares of the Company's common stock, and other consideration (link). (This acquisition agreement is being disputed in court in Maryland).
 - During the period March 31, 2018 to June 19, 2018, the Company converted \$300,000 of promissory notes into 333,333 shares of common stock. Also during this period, the Company issued 180,439 shares of common stock to settle approximately \$120,000 of outstanding obligations, and issued 100,000 shares of common stock pursuant to a mutual release agreement with a former employee (link).
 - The purchase price, which will distributed pro rata to the sellers as per their ownership interests of Sigal, consisted of 31,954,236 shares of the registrant's common stock, 3 million options to purchase additional shares of the registrant's common stock at prices ranging from \$0.15 - \$0.35 per share and which vest over two years and 49% of MariMed's outstanding equity (link).
- **State issued cannabis licenses are the barriers to enter the business of cannabis in each state in U.S.**
- **MariMed's business strategy is a sound one. Combine network expansion with brand products addition and licenses acquisition.**

- Company always keeps original founders or management team in place after acquisition. More importantly, Company uses common shares for acquisitions. In this strategy, acquired founders become Company's shareholders and work for Company at the same time. The disadvantage of this strategy is it dilutes common shares.
 - [MediTaurus CEO and Co-founder Dr. Jokūbas Žiburkus will join the MariMed executive team as Chief Innovation Officer and an advisor \(link\).](#)
 - [Since inception, the Illinois businesses have been managed by MariMed Inc. and its local partners, Gorgi and Rosie Naumovski. The Naumovskis continue to be active in the management of these dispensaries and the expansion of MariMed cannabis brands throughout Illinois \(link\).](#)
 - [Jon Levine, former co-owner of Sigal Consulting, became CFO of MariMed Advisors and then CFO of MariMed Inc \(link\).](#)
- In cannabis cultivation, Shaw said, environment is half the battle, so having separate rooms with individual HVAC systems that don't share an air supply and have their own lights and filtration systems means they can quarantine any of those rooms if the plants experience any issues.
- CEO Robert Fireman (link), Executives pay themselves with very generous terms related to current (2Q 2021) revenue and net income. Equity compensations are like gifts giving out to executives with little restriction. Timing and time period of vesting for options and restrict stocks are very fast and short. Giving out fixed number of stock options annually is equal to giving out increasing value of cash if stock price rising. More:
 - CFO Jon R Levine (link)
 - COO Timothy Shaw (link)
- CEO Robert Fireman talks about the wish to list on major stock exchange and complained that market did not value MariMed correctly. If so, Company's such generous compensation packages will definite get very close scrutiny.
- The wary for individual investors are whether executives are focus on business development and bring shareholders' value, or they are more focus on cumulating wealth for themselves. Of course, executives should be rewarded accordingly to their performance. However, researches show that companies often do not perform well when generous compensation packages are out of proportion with business performance. ***Company business performance should be closely exam if investment in MariMed Inc. is made.***
- Director had a dispute with company and resigned (link). Company DID NOT address what the dispute is.
- On November 29, 2018, MariMed Inc. (the "Company") was informed by its independent registered public accounting firm, L&L CPAs, P.A. ("L&L"), of its

intent to resign for reason that it would not be able to comply with Section 10A of The Securities Exchange Act of 1934 and Section 203 of the Sarbanes-Oxley Act of 2002

- o Section 203 of the Sarbanes-Oxley Act specifies that the lead and concurring partner must be subject to rotation requirements after five years. The rules will specify that the lead and concurring partner must rotate after five years and be subject to a five-year "time out" period after rotation. Additionally, certain other significant audit partners will be subject to a seven-year rotation requirement with a two-year time out period.
 - o Report on reporting under Section 10A of the Securities Exchange Act of 1934
- It should keep in mind that investors should **NOT** expect that Company's expansion/growth will be fast
 - o Each location, ether production facility or dispensary needs an individual license from State and local governments to operate. And it is a long, complex process to obtain an operation license from each level of governing regulatory.
 - o States usually limit its issued licenses.
 - o Most of States have legalized medical cannabis, but only a handful of States allows adult-use cannabis. Only adult-use cannabis policy will make cannabis business more profitable. It is going to be a slow progress.
- ***Again, investing in MariMed involves significant uncertainty and risk***
 - o ***Cannabis is still Federal illegal, a schedule I controlled substance***
 - o ***Most of states allow only medical cannabis use which requires prescription from medical doctors.***
 - o ***Most of medical professionals still have doubts regarding cannabis's benefit.***
 - o ***Cannabis industry still in early stage. Regulations are not well established and creating uncertainty in business operations***
 - o ***Acceptance of cannabis is increasing but opposition is still persistent.***

Observation

The observation of dispensaries and production facility is to achieve two goals:

- To ensure the business operations of MariMed is legit and physically presented.
- To determine the quality of operation.

The conclusion of the observation is unexpected and satisfactory.

- Massachusetts
 - o Better than expectation that there are approximate 70 vehicles in the parking lot of ARL Healthcare, a cultivation, production, and distribution facility (70,000 sqft, including 32,000 sqft of office, cultivation rooms and manufacturing) of cannabis located at 177 John Vertente Blvd, New Bedford, MA. [Photo](#)
 - o Also, there are 6 dumpster containers on the parking lot. [Photo](#)
 - o Panacea Wellness is a cannabis dispensary for medical and adult-use located at 29 Harding St Middleborough, MA. Its parking lot is almost full at 9:30 before the store opens at 10:00 in the morning for medical use customers in 10/04/2021 (serving adult-use customers after 12:00 pm). [Photo 1](#), [photo 2](#), [photo 3](#)
- The visit to Thrive Dispensaries in Illinois has resulted in more details and insight than subsidiary in Massachusetts.
 - o Staffs are very friendly. They describes business as good, busy and constant with busier on weekend, customers come in waves as online orders have a 30 minutes time delay to pickup. They are able to find substitute quickly on service tablets when asked product is sold out. (Too bad that photo is not allowed inside of stores).
 - o Thrive Dispensaries provide cannabis products for medical and adult-use
 - o Customers wait in line for store open in the morning before 10:00 as the photos show here at the Thrive stores at [Mt Vernon](#) and [Metropolis](#) in Illinois.
 - o Store address:
 - Thrive Mt Vernon – 800 S 45th St, Mt Vernon, IL 62864, Jefferson County [\(pic\)](#).
 - Thrive Harrisburg – 105 Veteran Dr, Harrisburg, IL 62946, Saline County [\(pic\)](#).
 - Thrive Anna – 87 Richview Dr, Anna, IL 62906, Union County [\(pic\)](#).

- Thrive Metropolis – 1551 E 5th St, Metropolis IL 62960, Massac County ([pic](#)).
 - o Information is collected with 30 minutes interval at each location on 10/06/2021
 - o [Click the link for the information.](#)
 - o The information collected and estimated leads to a cautious optimism for MariMed Inc.
- The conclusion from this study gives more confidence for investing MariMed Inc. However, due to regulatory restrict, cannabis business expansion is different from traditional agriculture production, manufacture, retailing. **Slow progress and growth should always be in investors' minds.**