**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, 2022

or

☐ 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: **000-51640**

**ZONED PROPERTIES, INC.**
(Exact name of registrant as specified in its charter)

| **Nevada** | **46-5198242** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **8360 E. Raintree Drive, #230, Scottsdale, AZ** | **85260** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(877) 360-8839**

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

| **Title of each class** | **Trading Symbol** | **Name of each exchange on which registered** |
|---|---|---|
| N/A | N/A | N/A |

Securities registered pursuant to Section 12(g) of the Exchange Act: Common stock, par value $0.001

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 Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the closing price of $0.715 per share of common stock as of June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), was $6,322,127.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 12,201,548 shares of common stock are issued and outstanding as of March 28, 2023.

**Documents Incorporated by Reference**

None

**ZONED PROPERTIES, INC.**
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## PART I

### ITEM 1. BUSINESS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes to the consolidated financial statements that appear elsewhere in this annual report on Form 10-K.

As used in this annual report on Form 10-K and unless otherwise indicated, the terms the terms "Zoned Properties", "Company," "we," "us," or "our" refer to Zoned Properties, Inc. and its wholly owned subsidiaries as detailed below.

**Overview**

Zoned Properties, Inc. ("Zoned Properties" or the "Company"), was incorporated in the State of Nevada on August 25, 2003. In October 2013, the Company changed its name to Zoned Properties, Inc. and in April 2014, the Company shifted its business model to address commercial real estate in the regulated cannabis industry. The Company is a real estate development firm for emerging and highly regulated industries, including legalized cannabis. The Company is redefining the approach to commercial real estate investment through its integrated growth services. Headquartered in Scottsdale, Arizona, Zoned Properties has developed a full spectrum of integrated growth services to support its real estate development model; the Company's Property Technology, Advisory Services, Commercial Brokerage, and Investment Portfolio collectively cross-pollinate within the model to drive project value associated with complex real estate projects. With national experience and a team of experts devoted to the emerging cannabis industry, Zoned Properties is addressing the specific needs of a modern market in highly regulated industries. Zoned Properties is an accredited member of the Better Business Bureau, the U.S. Green Building Council, and the Forbes Business Council. The Company does not grow, harvest, sell or distribute cannabis or any substances regulated under United States law such as the Controlled Substance Act of 1970, as amended (the "CSA").

The Company has the following wholly owned subsidiaries:

- Chino Valley Properties, LLC ("Chino Valley") was organized in the State of Arizona on April 15, 2014.
- Kingman Property Group, LLC ("Kingman") was organized in the State of Arizona on April 15, 2014.
- Green Valley Group, LLC ("Green Valley") organized in the State of Arizona on April 15, 2014.
- Zoned Arizona Properties, LLC ("Zoned Arizona") was organized in the State of Arizona on June 2, 2017.
- Zoned Advisory Services, LLC ("Zoned Advisory") was organized in the State of Arizona on July 27, 2018.
- Zoned Properties Brokerage, LLC ("Arizona Brokerage") was organized in the State of Arizona on March 17, 2021.
- ZP Data Platform 1, LLC ("ZP Data 1") was organized in the State of Arizona on April 14, 2021.
- ZP Data Platform 2, LLC ("ZP Data 2") was organized in the State of Arizona on June 21, 2022.
- ZP RE Holdings, LLC ("ZPRE Holdings") was organized in the State of Arizona on September 20, 2022.
- ZP RE AZ Stone, LLC ("ZP Stone") was organized in the State of Arizona on October 19, 2022.
- ZP Brokerage MS, LLC ("Mississippi Brokerage") was organized in the State of Mississippi on October 4, 2022.
- ZP Brokerage FL, LLC ("Florida Brokerage") was organized in the State of Florida on October 20, 2022.
- ZP Brokerage AL, LLC ("Alabama Brokerage") was organized in the State of Alabama on October 20, 2022.
- ZP RE MI Woodward, LLC ("ZP Woodward") was organized in the State of Michigan on November 22, 2022
- ZP Brokerage MO, LLC ("Missouri Brokerage") was organized in the State of Missouri on November 30, 2022.

During 2022, the Company has closed the following wholly owned subsidiaries:

- Gilbert Property Management, LLC ("Gilbert") was organized in the State of Arizona on February 10, 2014. This subsidiary was dissolved on July 5, 2022.

- Zoned Colorado Properties, LLC ("Zoned Colorado") was organized in the State of Colorado on September 17, 2015. This subsidiary was dissolved on July 22, 2022.

- Zoned Oregon Properties, LLC ("Zoned Oregon") was organized in the State of Oregon on June 16, 2015. This subsidiary was dissolved on December 13, 2022.

- Zoned Illinois Properties, LLC was organized in the State of Illinois on July 15, 2015. This subsidiary was dissolved on November 4, 2022.

**Our Business**

We are a real estate development firm for emerging and highly regulated industries, including legalized cannabis. We are redefining the approach to commercial real estate investment through our integrated growth services. Headquartered in Scottsdale, Arizona, we have developed a full spectrum of integrated growth services to support our real estate development model; our Property Technology, Advisory Services, Commercial Brokerage, and Investment Portfolio collectively cross-pollinate within the model to drive project value associated with complex real estate projects. With national experience and a team of experts devoted to the emerging cannabis industry, we are addressing the specific needs of a modern market in highly regulated industries. Zoned Properties is an accredited member of the Better Business Bureau, the U.S. Green Building Council, and the Forbes Business Council. We do not grow, harvest, sell or distribute cannabis or any substances regulated under United States law such as the Controlled Substance Act of 1970, as amended (the "CSA").

We have developed and expanded into multiple business divisions focused on real estate services and investments currently focused on the legalized and regulated cannabis industry; including property technology, advisory services, commercial brokerage services, and a property investment portfolio. Each of these operating divisions are important elements of the overall business development strategy for long-term growth. We believe in the value of building relationships with clients and local communities to position the Company for long-term portfolio and revenue growth backed by sophisticated, safe, and sustainable assets and clients.

The core of our business involves identifying and developing commercial properties that intend to operate within highly regulated industries, including the legalized cannabis industry. Within highly regulated industries, local municipalities typically develop strict regulations, including zoning and permitting requirements related to commercial real estate, that dictate the specific locations and parameters under which regulated properties can operate. These regulations often include complex permitting processes and can include non-standard codes governing each location; for example, restricting a regulated property or facility from operating within a certain distance of any parks, schools, churches, or residential districts, or restricting a regulated property from operating outside a defined set of hours of operation. When an organization can collaborate with local representatives, a proactive set of rules and regulations can be established and followed to meet the needs of both the regulated operators and the local community.

The Company currently maintains a portfolio of properties that we own, develop, and lease. We currently lease land and/or building space at all five of the properties in our portfolio. These properties are leased to licensed and legalized cannabis tenants and are located in areas with established zoning and permitting procedures. Three of the leased properties are zoned and permitted as licensed and regulated cannabis dispensaries, and two of the leased properties are zoned and permitted as licensed and regulated cannabis cultivation facilities. Each regulated property may undergo a non-standard development process. Various development requirements in this process may include initial property identification, zoning authorization, and permitting guidance in order to qualify a commercial property for subsequent architectural design, utility installation, construction and development, property management, facilities management systems, and security system installation.

While our primary focus is on investing in the acquisition of new properties to grow our portfolio, we may occasionally sell an asset when the circumstances and opportunity present a value opportunity for the Company. On June 1, 2021, we closed on the sale of our Gilbert, AZ property with a third party (the "Purchaser"), pursuant to which we agreed to sell, and the Purchaser agreed to purchase, the property located in Gilbert, Arizona, for an aggregate purchase price of $335,000. In connection with the sale, we received net proceeds of $322,332 and recorded a gain on sale of rental property of $51,944.

There are significant challenges that take place when zoning, permitting, and developing real estate with facilities that intend to operate within a regulated industry, including the regulated cannabis industry. Each state and local jurisdiction may adopt specific zoning and permitting regulations that may be unique compared to alternative jurisdictions. The Company has gained valuable knowledge and developed best practices in this area by successfully completing project for third party clients across the country in multiple state and our own major projects in the state of Arizona, a highly regulated market for the regulated cannabis industry. The Company intends to replicate this business model across the nation as markets mature and rules and regulations are established.

The process for obtaining zoning authorizations and permitting for a regulated cannabis facility can take months or sometimes years to complete. The process primarily involves working directly with the local government representatives following state-level legalization. Notwithstanding proper zoning and permitted use, we may work with local zoning authorities in order to revise zoning codes and regulations. The Company has been involved with local representatives on behalf of our own properties held in our portfolio and on behalf of third-party clients across the nation. For example, the Company worked directly with local representatives in Tempe, Arizona to update the local zoning code that regulates licensed cannabis facilities. The successfully adoption of these code amendments can directly impact the continued development of any licensed cannabis facilities that operate within municipal limits.

In the event a property is not currently zoned correctly or does not currently allow permitted use as a regulated cannabis facility, we may work with local authorities to rezone the property or seek changes to existing zoning codes or permitted uses. Our efforts may not be successful. For example, the property we sold in June of 2021 located in Gilbert, Arizona was not successfully zoned and permitted for a prospective regulated cannabis facility and was ultimately divested as a non-core asset.

The Company has established a network of experts in the fields of real estate, design, engineering, construction, operations, security, and corporate social responsibility in order to provide tenants and clients with a full-spectrum of real estate solutions to best meet their needs. We require our prospective tenants and clients to go through due diligence in order to meet the Company's standards.

Our vision is to be recognized for setting the standard in sustainable development for emerging industries, while increasing community prosperity and shareholder value. We believe that a focus on real estate and the sustainable development of properties will bring value to the local communities in which we operate and to local stakeholders. While we intend to expand into a variety of emerging industries, our current focus is on real estate projects within the regulated cannabis industry.

We are the sole member of 15 limited liability companies: Chino Valley, Green Valley, Kingman, Zoned Arizona, Zoned Advisory, ZP Data 1, ZP Data 2, Arizona Brokerage, Mississippi Brokerage, Florida Brokerage, Alabama Brokerage, Missouri Brokerage, ZPRE Holdings, ZP Stone, and ZP Woodward. Five of these entities—Zoned Arizona, Green Valley, Kingman, Chino Valley, and ZP Woodward—have acquired land and/or real property and own our properties.

Multiple state-licensed operators from across the United States have approached Zoned Properties for strategic partnership and/or advisory services for development and prospective sale-lease back arrangements. We are continuously evaluating these projects as we seek development partnerships, prospective sale-lease back arrangements, and explore financing terms with capital funding sources.

As it relates to the regulated cannabis industry, we are strictly a non-plant touching organization. We believe that we are well positioned to benefit from ancillary development opportunities that the regulated cannabis industry presents without having to deal with the risk of directly cultivating, distributing, or dispensing the product, which is still illegal under federal law.

Our initial real estate services and property acquisition targets have been in Arizona. Recently, we have expanded real estate services, namely advisory services and brokerage services, across multiple state markets, and we have acquired properties in Michigan. We believe that both Arizona and Michigan have established state-regulated cannabis programs with robust regulatory frameworks for licensing and operating within their respective regulatory marketplaces (i.e. the business environment in which our clients and tenants operate) and have strong consumer demand to support the business operators in their respective state marketplaces (i.e. the consumers that support our clients' and tenants' business operations). The Company expects to target expansion into new state marketplaces for both its real estate services and its acquisition of properties into its property investment portfolio that have strong growth trends in both regulatory frameworks and consumer demand. The Company believes these are two of the most important market factors that have influence related to the value of real estate development and property investment potential.

**Recent Corporate History and Transactions**

Our properties located in Chino Valley and Green Valley are leased by Broken Arrow Herbal Center, Inc. ("Broken Arrow").

Our properties located in Tempe (through November 30, 2022) and Kingman are leased by CJK, Inc. ("CJK"). Additionally, on the Tempe property, the Company leases parking lot space for an antenna location to a third party.

On November 30, 2022, Zoned Arizona, CJK, and VSM LLC ("VSM") entered into the Tempe Second Amendment to the Tempe Lease, as amended. Concurrently with the execution of the Tempe Second Amendment, CJK assigned all its interest in the Tempe Lease to VSM.

On December 1, 2022, ZP Woodward entered into an Exclusive Option Agreement for the Purchase of Real Property (the "Option Agreement"), dated December 1, 2022 between ZP Woodward and FL MI RE 22, LLC (the "Woodward Assignor"). Pursuant to the terms of the Option Agreement and subject to the conditions therein, ZP Woodward was granted the exclusive option (the "Option") to assume all of the Woodward Assignor's rights and obligations under certain purchase agreements and other definitive documents as described in the Option Agreement (collectively, "Assigned Rights"), all related to real property located in Pleasant Ridge, Michigan and as more particularly described in the Option Agreement (the "Woodward Property"). In December 2022, the Company exercised its rights to acquire the properties located at 23616 and 23622 Woodward Avenue, Pleasant Ridge, Michigan for a purchase price of $2,292,549; including cash of $867,549, and a land contract promissory note of $1,425,000. The properties consist of approximately 9,060 square feet of land with approximately 6,192 square feet of rentable buildings space. Simultaneously, the Company paid cash of $590,000 to the Woodward Assignor in assignment fees and deposits for the rights to acquire two adjacent properties (the "Parking Lots"), which is reflected as escrow deposits on the accompanying consolidated balance sheets as of December 31, 2022. As discussed below, ZP Woodward acquired these Parking Lots.

On December 1, 2022, in connection with the acquisition of the Woodward Property and Parking Lots, ZP Woodward, as landlord, entered into a Licensed Cannabis Facility Absolute Net Lease Agreement (the "Woodward Lease") with Rapid Fish 2 LLC, as tenant ("Woodward Tenant"), whereby ZP Woodward leased the Woodward Property and the Parking Lots located in Pleasant Ridge, Michigan to the Woodward Tenant. The Woodward Lease commenced on December 1, 2022 and has a term of 14 years and 4 months through March 1, 2037, with two 5-year options to extend the term, exercisable by the Woodward Tenant pursuant to the terms and conditions of the Woodward Lease.

On February 24, 2023, ZP Woodward entered into a Land Contract, dated February 24, 2023, by and between Gangnier Investments LLC (the "Gangnier") and ZP Woodward (the "23634 Land Contract"). Pursuant to the terms of the 23634 Land Contract, Gangnier agreed to sell to ZP Woodward certain real property located at 23634 Woodward Avenue, Pleasant Ridge, Michigan ("23634 Woodward") for the purchase price of $755,984, comprised of $85,894 of cash, $240,000 of previously paid escrow deposits and a land contract note payable of $430,000 (the "23634 Land Contract Note"). The 23634 Land Contract Note Payable accrues interest at the rate of 7% and is payable in 48 monthly installments of $3,865, beginning April 1, 2023, until the purchase price and interest are fully paid, provided that such purchase price and all interest will be fully paid on or before March 31, 2027.

There is no prepayment penalty. The 23634 Land Contract contains terms and conditions typically stated in similar land contract or installment sale contracts.

On February 27, 2023, ZP Woodward acquired a fee interest in 23600 Woodward Avenue, Pleasant Ridge, Michigan for the purchase price of $1,253,070, comprised of $903,070 of cash and $350,000 of previously paid escrow deposits and, as of such date, ZP Woodward has acquired the property interests in the Woodward Property contemplated in the Option Agreement and Master Agreement.

The Parking Lots properties consist of approximately 15,246 square feet of land with approximately 3,463 square feet of rentable buildings space and approximately 7,872 square feet of covered parking.

*Chino Valley, AZ*

On May 29, 2020, Chino Valley and Broken Arrow entered into a Second Amendment to the 2018 Chino Valley Lease, as amended (the "2020 Chino Valley Amendment"), effective May 31, 2020 ("Effective Date"). Pursuant to the terms of the 2020 Chino Valley Amendment, among other things, the base rent was adjusted to $32,800 per month, and the base rent was abated from June 1, 2020 to July 31, 2020. Any increase in the rentable area of the leased premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. Pursuant to the terms of the 2020 Chino Valley Amendment, the parties agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Chino Valley and Broken Arrow, Broken Arrow may terminate the 2018 Chino Valley Lease, as amended, by delivering written notice to Chino Valley, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term. In addition, the parties agreed that from the period from the Effective Date to June 30, 2022 (the "Improvement Period"), Broken Arrow will and/or Broken Arrow will cause its affiliate, CJK, to invest a combined total of at least $8,000,000 of improvements ("Investment by Tenants") in and to the property that is the subject of the Chino Valley Lease and the property that is the subject of the Tempe Lease (discussed below, and collectively referred to as the "Facilities"). The Company's Significant Tenants have completed the Investment by Tenants to the Facilities totaling in excess of $8,000,000 and have satisfied the contractual obligations related to the same.

On August 23, 2021, Chino Valley and Broken Arrow entered into the Third Amendment (the "Third Chino Valley Amendment") to the 2018 Chino Valley Lease, as amended (the "Chino Valley Lease"), effective September 1, 2021. The parties previously agreed that the base rental payments under the Chino Valley Lease would increase commensurate to any and all expanded and operational square footage on the premises by calculating the fixed rate of $0.82 per square foot per month by the new operational square footage. Accordingly, in the Third Chino Valley Amendment, the parties agreed that, as of September 1, 2021, the rental payment is increased to $55,195 per month base rental payment, plus additional rental payments, as a result of the increase in the square footage to 67,312 square feet of operational space. This lease modification qualifies as a separate contract as the modification grants the tenant additional right of use not included in the original lease, as amended, and the increase in monthly rent payments is commensurate with the standalone price for the additional square footage being leased.

On January 24, 2022 and effective on March 1, 2022, Chino Valley and Broken Arrow entered into the Fourth Amendment (the "Fourth Chino Valley Amendment") to the Chino Valley Lease, as amended. Pursuant to the terms of the Fourth Chino Valley Amendment, the parties acknowledge that an additional 30,000 square feet have become operational, increasing the premises to a total of 97,312 square feet of operational space. In connection with the Fourth Chino Valley Amendment, the Company paid $500,000 to Tenant as a tenant improvement allowance or lease incentive for investment into the premises, which was capitalized as a lease incentive receivable and is recognized on a straight-line basis over the remaining lease term as a reduction to the lease income. Pursuant to the terms of the Fourth Chino Valley Amendment, effective March 1, 2022, the monthly base rent was increased to $87,581, representing an increase from $0.82 per square foot to $0.90 per square foot, for all current and future operational square footage that may be developed as the premises continues to expand.

*Green Valley, AZ*

On May 29, 2020, Green Valley and Broken Arrow entered into the First Amendment (the "Green Valley Amendment") to the Green Valley Lease, effective May 31, 2020. Pursuant to the terms of the Green Valley Amendment, among other things, the parties agreed to abate the fixed base rent of $3,500 from June 1, 2020 to July 31, 2020. In addition, the Green Valley Amendment provides that any increase in the rentable area of the leases premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. The parties also agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Green Valley and Broken Arrow, Broken Arrow may terminate the Green Valley Lease by delivering written notice to Green Valley, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term.

*Tempe, AZ*

On May 29, 2020, Zoned Arizona and CJK entered into the First Amendment (the "Tempe Amendment") to the Tempe Lease, effective May 31, 2020. Pursuant to the terms of the Tempe Amendment, among other things, the base rent was increased to $49,200 per month, and the base rent was abated from June 1, 2020 to July 31, 2020. Any increase in the rentable area of the leased premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. Pursuant to the terms of the Tempe Amendment, the parties agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Zoned Arizona and CJK, CJK may terminate the Tempe Lease by delivering written notice to Zoned Arizona, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term.

In addition, under the Tempe Amendment the parties agreed to an Investment by Tenant (as defined above in the subheading *Chino Valley*) to the property that is the subject of the Chino Valley Lease and the property that is the subject of the Tempe Lease. If Broken Arrow and/or CJK fails to deliver to the Company receipted bills for hard and soft costs of improvements to the Facilities totaling at least $8,000,000 on or before June 30, 2022, Broken Arrow and CJK will be in default under the Chino Valley Lease and Tempe Lease, as amended. The Company's Significant Tenants have completed the Investment by Tenants to the Facilities totaling in excess of $8,000,000 and have satisfied the contractual obligations related to the same.

In connection with a promissory note, on July 11, 2022 and reaffirmed on December 7, 2022, the Company entered into a Deed of Trust Agreement that secures the Company's performance under the promissory note. The Deed of Trust Agreement transfers and assigns to the lender the right to sell the assets of Tempe and rights to rental income in case of default under the promissory note.

On November 30, 2022, Zoned Arizona, CJK, and VSM entered into that Second Amendment (the "Tempe Second Amendment") to the Tempe Lease, as amended. Concurrently with the execution of the Tempe Second Amendment: (i) CJK assigned all its interest in the Tempe Lease to VSM (the "Assignment"), and (ii) VSM subleased a portion of the Premises (as defined in the Tempe Lease), pursuant to that certain Sublease dated November 30, 2022 between VSM, as sublessor, and CJK, as sublessee.

Pursuant to the terms of the Tempe Second Amendment, among other things, and in consideration of Zoned Arizona's agreement to enter into the Tempe Second Amendment: (i) VSM paid Zoned Arizona $300,000 (the "Assignment Price"), (ii) VSM agreed to commit at least $3,000,000 to be spent toward capital improvements to the Premises within two years after the effective date of the Tempe Second Amendment (the "Capital Commitment"), (iii) VSM agreed to deposit an additional security deposit (the "Additional Security Deposit") of $147,600 to be held by Zoned Arizona per the terms of the Tempe Lease, and (iv) VSM agreed to cause its affiliate, GDL Inc. (doing business as Green Dot Labs) ("GDL") to execute and deliver to Zoned Arizona that Guaranty of Payment and Performance dated on the same date as the Tempe Amendment, which Guaranty of Payment and Performance requires GDL to guarantee and be liable for VSM's compliance with and performance under the Tempe Lease. The Guaranty of Payment and Performance was entered into on November 30, 2022. If VSM fails to deliver to Zoned Arizona invoices or other documentation acceptable to Zoned Arizona showing the Capital Commitment has been satisfied in a timely manner, VSM will be in default under the Tempe Lease. No other terms of the Tempe Lease were modified.

Pursuant to ASC 842-10-25, the lease modification was not accounted for as a separate contract and the Company shall account for the modification as if it were a termination of the existing lease and the creation of a new lease that commenced on the effective date of the modification. Accordingly, the Company considers the assignment fee paid as a part of the lease payments for the modified lease and shall amortize the $300,000 assignment fees into rental revenue on a straight-line basis over the remaining term of the modified lease. On December 31, 2022, deferred revenue related to this lease modification amounted to $298,565 and is included in contract liabilities on the accompanying consolidated balance sheet.

Additionally, on the Tempe property, the Company leases parking lot space for an antenna location to a third party.

*Kingman, AZ*

On May 29, 2020, Kingman and CJK entered into the First Amendment (the "Kingman Amendment") to the Kingman Lease, effective May 31, 2020. Pursuant to the terms of the Kingman Amendment, among other things, the parties agreed to abate the $4,000 base rent from June 1, 2020 to July 31, 2020. In addition, the Kingman Amendment provides that any increase in the rentable area of the leases premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. The parties also agreed that if there is any change in laws such that the dispensing, sale or cultivation of cannabis upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Kingman and CJK, CJK may terminate the Kingman Lease by delivering written notice to Kingman, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term. On November 30, 2022, Kingman and CJK entered into the Second Amendment (the "Kingman Second Amendment") to the Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 between Kingman and CJK. Pursuant to the terms of the Kingman Second Amendment, CJK agreed to grant Kingman a right to terminate the Kingman Lease upon 15 days' prior written notice in Kingman's sole discretion, without any obligation to do so, provided that Kingman may not exercise this right to terminate if CJK is operating its business as a going concern at the premises which is the subject of the Kingman Lease.

*Pleasant Ridge, MI*

On November 29, 2022, ZP Woodward, as landlord, entered into a Licensed Cannabis Facility Absolute Net Lease Agreement (the "Woodward Lease") with Rapid Fish 2 LLC, as tenant ("Woodward Tenant"), whereby ZP Woodward leased the Woodward Property located in Pleasant Ridge. Michigan to the Woodward Tenant. The Woodward Lease commenced on December 1, 2022 and has a term of 14 years and 4 months through March 1, 2037, with two 5-year options to extend the term, exercisable by the Woodward Tenant pursuant to the terms and conditions of the Woodward Lease. The Woodward Lease contains customary obligations of the Woodward Tenant consistent with an absolute triple net lease agreement, including (i) the payment of real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes), (ii) payment of insurance premiums and operating costs of ZP Woodward related to the operation of the Woodward Property, and (iii) maintenance and repair obligations to maintain the Woodward Property in first-class retail condition. The Woodward Lease includes a Guaranty of Payment and Performance by Ammar Kattoula and Thomas Nafso. The Woodward Lease contains an abatement of the full or partial rent that would otherwise have been due for the months from December 2022 to March 2023. Subsequent to the abatement period. the Woodward Lease provides for payment by the tenant of monthly base rent beginning at $40,319 per month and increasing by 3% per year over the term of the lease, as well as real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes) levied upon or assessed against the Company. In addition, pursuant to the terms of the Woodward Lease, the Woodward Tenant agreed to maintain insurance in full force during the term of the Woodward Lease and any other period of occupancy of the premises by the tenant. The tenant shall have the option, exercisable by written notice to ZP Woodward given not later than 180 days prior to the expiration of the then current term, to extend the term for two further terms of five years each on the same terms and conditions as provided in this Lease.

The Company considers tenants whose annual base rent exceeds over 10% of the Company's annual rental income to be a Significant Tenant.

The Tempe Lease, Kingman Lease, Chino Valley Lease, Green Valley Lease, and the Woodward Lease are considered significant and the tenants are referred to as the Significant Tenants.

During the years ended December 31, 2022 and 2021, all of the Company's real estate properties are leased under triple-net leases to tenants that are controlled by Significant Tenants. For the years ended December 31, 2022 and 2021, revenues associated with Significant Tenant leases described above is summarized as follows:

| | For the Year Ended December 31, 2022 | % of Total Revenues | For the Year Ended December 31, 2021 | % of Total Revenues |
|---|---|---|---|---|
| CJK | $ 638,789 | 24.0% | $ 690,673 | 37.9% |
| Broken Arrow | 1,034,470 | 38.9% | 564,457 | 31.0% |
| VSM * | 54,728 | 2.1% | - | - |
| Woodward Tenant * | 48,297 | 1.8% | - | - |
| Total | $ 1,776,284 | 66.8% | $ 1,255,130 | 68.9% |

* Revenues from these Significant Tenants began in December 2022 and are expected to amount to over 10% of the Company's rental revenue in future periods.

As of December 31, 2022 and 2021, the Company had an asset concentration related to the Significant Tenants. As of December 31, 2022 and 2021, the Significant Tenants collectively leased approximately 59.8% and 79.2% of the Company's total assets, respectively.

Future minimum lease payments to be received, on all leased properties, for each of the five succeeding calendar years and thereafter as of the period ended December 31, 2022, consist of the following:

| **Future annual base rent:** | |
|---|---|
| 2023 | $ 2,154,211 |
| 2024 | 2,245,735 |
| 2025 | 2,260,576 |
| 2026 | 2,264,399 |
| 2027 | 2,271,955 |
| Thereafter | 27,187,804 |
| Total | $ 38,384,680 |

*KCB Jade Holdings, LLC Investment*

On March 19, 2020, the Company made an initial investment of $100,000 into KCB Jade Holdings, LLC ("KCB"). In exchange for the investment, KCB issued to the Company a convertible debenture (the "KCB Debenture") dated March 19, 2020 (the "Issuance Date") in the original principal amount of $100,000. The KCB Debenture bears interest at the rate of 6.5% per annum and matures on March 19, 2025 (the "Maturity Date"). Interest on the outstanding principal sum of the KCB Debenture commences accruing on the Issuance Date and is computed on the basis of a 365-day year and the actual number of days elapsed and shall be payable annually due by the first day of each calendar anniversary following the Issuance Date. KCB may prepay the KCB Debenture at any point after 18 months following the Issuance Date, in whole or in part. However, if KCB elects to prepay the KCB Debenture prior to the Maturity Date or prior to any conversion as provided in the KCB Debenture in whole or in part, the Company will be entitled to receive a number of KCB units, in addition to such prepayment amount, constituting 10% of the total outstanding units and 10% of the total percentage interest following such issuance and at the time of such issuance.

On or after six months from the Issuance Date, the Company may convert all or a portion of the principal balance and all accrued and unpaid interest due into a number of units equal to the proportion of the outstanding amount being converted multiplied by 33% of the total number of units issued and outstanding at the time of conversion, constituting 33% of the total percentage interest (the "Conversion Percentage"). If KCB defaults on payment of the KCB Debenture, the Company may, at its option, extend all conversion rights, through and including the date KCB tenders or attempts to tender payment in full of all amounts due under the KCB Debenture. Conversion rights terminate upon acceptance by the Company of payment in full of principal, accrued interest and any other amounts due under the KCB Debenture.

If (i) KCB does not elect to exercise its rights of prepayment prior to the Maturity Date, (ii) the Company does not elect to exercise its rights of conversion, and (iii) KCB pays to the Company all outstanding principal and interest accrued and due under the terms of the KCB Debenture on the Maturity Date, the Company will still be entitled to receive a number of units, in addition to such payment amount, constituting 8% of the total outstanding units and 8% of the total percentage interest following such issuance and at the time of such issuance.

Upon the occurrence of an Event of Default, as defined in the KCB Debenture, the entire principal balance and accrued and unpaid interest outstanding under the KCB Debenture, and all other obligations of KCB under the KCB Debenture, will be immediately due and payable and the Company may exercise any and all rights, power and remedies available to it at law or in equity or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in the KCB Debenture and proceed to enforce the payment thereof or any other legal or equitable right of the Company.

Any amount of principal or interest not paid when due will bear interest at the rate of 12% per annum from the due date thereof until paid.

On February 19, 2021 (the "Amendment Date"), the Company made an additional investment of $100,000 into KCB (the "Additional Investment"). In exchange, KCB issued to the Company an amended and restated convertible debenture (the "A&R Debenture") on the Amendment Date. The A&R Debenture amends and restates in its entirety the KCB Debenture. Pursuant to the A&R Debenture, the Company and KCB agreed to certain new terms that did not exist in the KCB Debenture, which are described below.

- *Interest Accrual Commencement*: Pursuant to the A&R Debenture, interest on the Initial Investment begins accruing as of March 19, 2020, while interest on the Additional Investment begins accruing on February 19, 2021.

- *Franchise Fees*. In the A&R Debenture, the parties acknowledge that each time that KCB sells one of its franchise locations, KCB earns a fee (an "Initial Fee"), and that KCB also earns a fee when one of its franchise locations renews its franchise with KCB (a "Renewal Fee"). Pursuant to the A&R Debenture, the Company and KCB agreed that, as additional consideration for the Additional Investment, KCB will pay to the Company, in perpetuity, 5% of any Initial Fee received by KCB after the Amendment Date, as well as 5% of any Renewal Fee received by KCB related to any franchise locations sold after the Amendment Date, in each case to be paid within five (5) days of receipt of KCB thereof.

In addition, following the Amendment Date, KCB agreed not to decrease the amount it charges its franchise locations for an Initial Fee or any Renewal Fee as in effect on the Amendment Date without the prior written consent of the Company, or to take any other actions that would reduce the value of KCB's obligation to the Company with respect to these franchise fee payments. KCB's obligation to pay the Company the franchise fees listed above will survive any termination, repayment or conversion of the A&R Debenture. Failure by KCB to pay the Company the franchise fees in the manner described above will result in an event of default, and, among other things, any due and unpaid franchise fees will accrue interest at 12% per year from the date the obligation was due.

Apart from the terms described above, the terms of the A&R Debenture are substantially identical to the terms of the KCB Debenture.

On August 2, 2021, KCB issued to the Company a second amended and restated convertible debenture (the "Second A&R Debenture"). The Second A&R Debenture amends and restates in its entirety the A&R Debenture. Pursuant to the Second A&R Debenture, the Company and KCB agreed to revise certain terms in the A&R Debenture, as follows.

*Right of Prepayment*. KCB may prepay the Second A&R Debenture at any point after 18 months following the Issue Date, in whole or in part. However, if KCB elects to prepay the Second A&R Debenture prior to March 19, 2025 (the "Maturity Date") or prior to any conversion in whole or in part, the Company will be entitled to receive a number of KCB Class B units ("Class B Units"), in addition to such prepayment amount, constituting 10% of the total outstanding KCB Units (as defined in KCB's Limited Liability Company Operating Agreement (the "Operating Agreement")), for the avoidance of doubt, being 10% of the total of KCB's Class A units ("Class A Units") and the Class B Units together, and 10% of the total Percentage Interest (as defined in the Operating Agreement) following such issuance and at the time of such issuance.

*Voluntary Conversion*. On or after six months from the Issue Date, the Company is entitled to convert all or a portion of the principal balance and all accrued and unpaid interest due under the Second A&R Debenture (the "Outstanding Amount") into a number of Class B Units equal to the proportion of the Outstanding Amount being converted multiplied by the Conversion Percentage, as defined below). Should KCB default on payment hereof, the Company may, at its option, extend all conversion rights, through and including the date KCB tenders or attempts to tender payment in full of all amounts due under the Second A&R Debenture. Conversion rights will terminate upon acceptance by the Company of payment in full of principal, accrued interest and any other amounts due under the Second A&R Debenture.

*Conversion Percentage.* The Conversion Percentage will be 33% of the total number of Units (for the avoidance of doubt, being 33% of the total of the Class A Units and the Class B Units together), issued and outstanding at the time of conversion, constituting 33% of the total Percentage Interest (the "Conversion Percentage").

*Right of Maturity Units*. If (i) KCB does not elect to exercise its prepayment rights prior to the Maturity Date, and (ii) the Company does not elect to exercise its conversion rights, and (iii) KCB pays to the Company all outstanding principal and interest accrued and due under the terms of the Second A&R Debenture on the Maturity Date, then the Company will still be entitled to receive a number of Class B Units, in addition to such payment amount, constituting 8% of the total outstanding Units (for the avoidance of doubt, being 8% of the total of the Class A Units and the Class B Units together) and 8% of the total Percentage Interest (as such term is defined in the Second A&R Debenture) following such issuance and at the time of such issuance.

Apart from the terms described above, the terms of the Second A&R Debenture are substantially identical to the terms of the A&R Debenture.

The convertible note receivable has been accounted for at amortized cost and is evaluated for collectability at each reporting date. As of December 31, 2022, based on management's analysis, the Company recorded a loss on note receivable investment of $210,756 which consisted of convertible notes receivable and interest receivable amounted to $200,000 and $10,756, respectively. In connection with management's analysis, the Company considered the current financial situation of KCB and an assessment of KCB's franchising opportunity in the cannabis industry from a macro-industry perspective. While the opportunity may prove valuable in the long-term, currently significant macro-industry challenges have caused management to take a conservative approach in its evaluation and conclude that this was the most appropriate position at this time on behalf of the Company and its shareholders.

On December 31, 2022, convertible note receivable and interest receivable amounted to $0. On December 31, 2021, convertible note receivable and interest receivable amounted to $200,000 and $10,756, respectively.

*Gilbert Property*

On March 3, 2021, Gilbert entered into that certain Commercial Lease Agreement (the "Lease"), dated as of February 26, 2021, between Gilbert and AZ2CAL Enterprises, LLC (the "Tenant"). Pursuant to the terms of the Lease, Gilbert agreed to rent the property located at 988 S. 182nd Place, Gilbert, AZ (the "Property") to the Tenant for a term of 24 months, from April 1, 2021 to March 31, 2023, for monthly rent of $2,750; provided, however, that no rent was due for the month of April 2021. In addition, pursuant to the terms of the Lease, the Tenant had an option to purchase the Property (the "Option") that was exercisable any time after the fourth month of the lease term, but no later than the end of the 12th month of the lease term. On June 1, 2021, the Company closed on the sale of its Gilbert, AZ property with the Tenant pursuant to which the Company agreed to sell, and the Tenant agreed to purchase the property located in Gilbert, Arizona, for an aggregate purchase price of $335,000. In connection with the sale, the Company received net proceeds of $322,332 and recorded a gain on sale of rental property of $51,944.

*Investment in Joint Ventures*

On December 31, 2022 and 2021, the Company held investments with aggregate carrying values of $58,293 and $74,554, respectively. The entities listed below are partially owned by the Company. The Company accounts for these investments under the equity method of accounting as the Company exercises significant influence but does not exercise financial and operating control over these entities. Investments are reviewed for changes in circumstance or the occurrence of events that suggest an other than temporary event where the Company's investment may not be recoverable.

On April 22, 2021, ZP Data 1 entered into a Limited Liability Company Operating Agreement (the "Beakon Operating Agreement") with a non-affiliated joint venture partner in connection with the formation of Beakon, LLC ("Beakon"), a Delaware limited liability company formed on April 16, 2021. Beakon signed a licensing agreement for the licensing of a consumer data/marketing software platform that Beakon will white-label for the cannabis industry. Beakon's goal is to develop and leverage the platform to help drive foot traffic to brick and mortar retail (i.e. dispensaries), and thus enhance the value of the real estate and mitigate risk. Pursuant to the Beakon Operating Agreement, ZP Data 1 purchased 50 units of Beakon for $50, which represent 50% of the membership interests of Beakon. Each unit represents, with respect to any member, such member's: (i) interest in Beakon's capital, (ii) share of Beakon's net profits and net losses (and specially allocated items of income, gain, and deduction), and the right to receive distributions of net cash flow from Beakon, (iii) right to inspect Beakon's books and records, and (iv) right to participate in the management of and vote on matters coming before the members as provided in the Beakon Operating Agreement. The transactions discussed above resulted in a joint venture, in accordance with ASC 323-10 – *Investments- Equity and Joint Ventures,* between ZP Data 1 and the non-affiliated party. Each of the entities has 50% equity ownership and voting rights, and joint control in Beakon. ZP Data 1 will account for its investment in Beakon under the equity method of accounting in accordance with ASC 323. During the year ended December 31, 2021, the Company contributed $86,000 to Beakon. On December 31, 2021, the Company recorded an other-than-temporary impairment loss of $73,970 because it was determined that the fair value of its equity method investment in Beakon was less than its carrying value. Based on management's evaluation, it was determined that due to market conditions and lack of committed funding, the Company's ability to recover the carrying amount of the investment in Beakon was impaired. For the year ended December 31, 2021, the $73,970 impairment loss is included within loss from unconsolidated joint ventures on the consolidated statement of operations.

On May 1, 2021, the Company entered into a Limited Liability Company Operating Agreement (the "Zoneomics Green Operating Agreement") with a non-affiliated joint venture partner in connection with the formation of Zoneomics Green, LLC ("Zoneomics Green"), a Delaware limited liability company formed on May 1, 2021. Zoneomics Green's goal is to utilize advanced property technology to provide solutions for property identification in regulated industries such as regulated cannabis. Pursuant to the Zoneomics Green Operating Agreement, the Company purchased 50 units of Zoneomics Green for a capital contribution of $90,000, which represent 50% of the membership interests of Zoneomics Green. Each unit represents, with respect to any member, such member's: (i) interest in Zoneomics Green's capital, (ii) share of Zoneomics Green's net profits and net losses (and specially allocated items of income, gain, and deduction), and the right to receive distributions of net cash flow from Zoneomics Green, (iii) right to inspect Zoneomics Green's books and records, and (iv) right to participate in the management of and vote on matters coming before the members as provided in the Zoneomics Green Operating Agreement. The transactions discussed above resulted in a joint venture, in accordance with ASC 323-10 – *Investments- Equity and Joint Ventures,* between the Company and the non-affiliated party. Each of the entities has 50% equity ownership and voting rights, and joint control in Zoneomics Green. In June 2021, the Company contributed $90,000 to Zoneomics Green.

**Clients**

We target clients who require assistance with the identification and development of regulated cannabis properties. Our ideal prospective clients will have a commitment to sophisticated, safe, and sustainable project development. The most significant barrier to success for many industry operators and prospective clients includes distractions from primary business operations. These distractions often include services related to the identification, zoning, permitting, and development of real estate.

We complete significant due diligence on prospective tenants and prospective clients regardless of industry focus. Credit-worthiness, character, and cash flows are all important traits that contribute to a sophisticated client for the Company.

**Marketing**

Currently, the Company uses general industry marketing to communicate its real estate services to industry operators and prospective clients. These include an industry newsletter that the Company distributes. Industry reputation, word-of-mouth, and networking are the primary tools the Company has used to complete the marketing of our services. We have previously and may in the future engaged with marketing, design, and public relations firms to assist with our industry branding and to help maintain an updated website, shareholder presentation, and profile outlining the Company's services. These tools are created for transparency of operations and activities. Our executive management believes the reputation of having integrity is an essential tool for marketing and business development.

**Competition**

The commercial real estate market is highly competitive. We believe finding properties that are zoned for the specific use of allowing regulated cannabis operations may be limited as more competitors enter the market. More competitors have recently entered the marketplace. We face significant competition from a diverse mix of market participants, including but not limited to, other public companies with similar business models, independent investors, hedge funds and other real estate investors, hard money lenders, as well as would be clients, regulated cannabis operators themselves, all of whom, who may compete against us in our efforts to acquire real estate zoned for cannabis operations. In some instances, we will be competing to acquire real estate with persons who have no interest in the regulated cannabis business but have identified value in a piece of real estate that we may be interested in acquiring.

**Government Regulation**

*Real Estate & General Business Regulations*

We are subject to applicable provisions of federal and state securities laws and to regulations specifically governing the real estate industry, including those governing fair housing and federally backed mortgage programs. Our operations will also be subject to regulations normally incident to business operations, such as occupational safety and health acts, workmen's compensation statutes, unemployment insurance legislation and income tax and social security related regulations. Although we will use our best efforts to comply with applicable regulations, we can provide no assurance of our ability to do so, nor can we fully predict the effect of these regulations on our proposed activities.

In addition, zoning commercial properties for specific purposes, such as regulated cannabis dispensaries or cultivation facilities, is subject to specific regulations to the zoning requirements for the city, county and state related to any regulated cannabis facility. We expect regulations to get tighter as time goes on.

*Federal and State Regulation of Cannabis*

The U.S. 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 preempts state laws that legalize its use for medicinal purposes.

The U.S. federal government regulates drugs through the CSA, which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The U.S. Department of Justice (the "DOJ") defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." However, the U.S. Food and Drug Administration (the "FDA") has approved Epidiolex, which contains a purified form of the drug cannabidiol ("CBD"), a non-psychoactive ingredient in the cannabis plant, for the treatment of seizures associated with two epilepsy conditions. The FDA has not approved cannabis or cannabis compounds as a safe and effective drug for any other condition. Moreover, pursuant to the Agriculture Improvement Act of 2018 (the "Farm Bill"), CBD remains a Schedule I controlled substance under the CSA, with a narrow exception for CBD derived from hemp with a tetrahydrocannabinol ("THC") concentration of less than 0.3%.

The Company maintains its operations so as to remain in compliance with the CSA. Even in those jurisdictions in which the manufacture and use of medical marijuana has been legalized at the state level, the possession, use and cultivation all remain violations of federal law that are punishable by imprisonment and substantial fines, and the prescription of marijuana is a violation of federal law. Moreover, individuals and entities may violate federal law if they intentionally aid and abet another in violating these federal controlled substance laws or conspire with another to violate them.

The inconsistencies between federal and state regulation of cannabis were addressed in a memorandum (the "Cole Memo") which then-Deputy Attorney General James Cole sent to all U.S. District Attorneys in 2013 outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memo acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, several states had enacted laws authorizing the use of cannabis for medical purposes. The Cole Memo noted that jurisdictions that have enacted laws legalizing cannabis in some form have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale, and possession of cannabis. As such, conduct in compliance with those laws and regulations is less likely to implicate the Cole Memo's enforcement priorities. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memo. In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, such as distribution of cannabis from states where cannabis is legal to those where cannabis is illegal, the diversion of cannabis revenues to illicit drug cartels and sales of cannabis to minors.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a new memorandum (the "Sessions Memo") which rescinded the Cole Memo. The Sessions Memo stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime," and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. The Company is not aware of any prosecutions of investment companies doing routine business with licensed marijuana related businesses in light of the DOJ position following issuance of the Sessions Memo. However, there can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memo, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities, despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memo as to the priority they should ascribe to such cannabis activities, and thus it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

Federal prosecutors appear to continue to use the Cole Memo's priorities as an enforcement guide. Merrick Garland, who became Attorney General on March 10, 2021, has indicated that he would deprioritize enforcement of low-level cannabis crimes such as possession, and has shared his view that the government should focus on large-scale criminal enterprises that circumvent state legalization laws instead of going after people who abide by local cannabis policies. The Company believes it is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memo or any replacement thereof and when or if the Sessions Memo will be rescinded. To date, there has been no new federal cannabis memoranda issued by the Biden Administration or any published change in federal enforcement policy. Regardless, U.S. federal government has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the Cole Memo does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the U.S. federal government will not enforce such laws in the future. The sheer size of the cannabis industry, in addition to participation by state and local governments and investors, however, suggests that a large-scale federal enforcement operation would more than likely create unwanted political backlash for the DOJ and the current administration. Regardless, at this time, cannabis remains a Schedule I controlled substance at the federal level. It is unclear whether the risk of enforcement has been altered.

One legislative safeguard for the medical cannabis industry, appended to the federal budget bill, remains in place following the rescission of the Cole Memo. For several years, Congress has adopted a so-called "rider" provision to the Consolidated Appropriations Act (formerly referred to as the Rohrabacher-Farr Amendment and currently referred to as the Rohrabacher-Blumenauer Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. Despite the rescission of the Cole Memo, the DOJ appears to continue to adhere to the enforcement priorities set forth in the Cole Memo.

The Cole Memo and the Rohrabacher-Blumenauer Amendment gave licensed cannabis operators (particularly medical cannabis operators) and investors in states with legal regimes greater certainty regarding the DOJ's enforcement priorities and the risk of operating cannabis businesses. While the Sessions Memo has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult use markets across the United States. When she was a U.S. Senator, Vice President Kamala Harris was the lead sponsor of the Marijuana Opportunity, Reinvestment, and Expungement (MORE) Act, which seeks to end the federal prohibition of marijuana, among other things, but in March 2020, it was reported that Vice President Harris has adopted the same position as President Biden, who opposes legalization. Currently, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will remain in place or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law criminalizing cannabis.

Although the U.S. Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, and federal law criminalizing the use of marijuana preempts state laws that legalize its use, cannabis is largely regulated at the state level.

State laws that permit and regulate the production, distribution and use of cannabis for adult use or medical purposes are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company's activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

Many states and U.S. territories have legalized the medical and/or adult use of cannabis.

We will continue to monitor compliance on an ongoing basis in accordance with our compliance program and standard operating procedures. While our operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under federal law. For the reasons described above and the risks further described in "Risk Factors," there are significant risks associated with our business.

Financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. Previous guidance issued by the Financial Crimes Enforcement Network, a division of the U.S. Department of the Treasury ("FinCEN"), clarifies how financial institutions can provide services to marijuana-related businesses consistent with their obligations under the Bank Secrecy Act. Prior to the DOJ's announcement in 2018 of the rescission of the Cole Memo and related memoranda, supplemental guidance from the DOJ directed federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo when determining whether to charge institutions or individuals with any of the financial crimes described above based upon marijuana-related activity.

Consequently, those businesses involved in the marijuana industry continue to encounter difficulty establishing banking relationships, which may increase over time. Our inability to maintain our current bank accounts would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges and could result in our inability to implement our business plan.

The inability of our current and potential tenants to open accounts and continue using the services of banks will limit their ability to enter into triple-net lease arrangements with us or may result in their default under our lease agreements, either of which could materially harm our business and the trading price of our securities.

Local, state and federal marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on its operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to our proposed business. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

**Employees**

As of December 31, 2022, we had nine full-time employees, including our chief executive officer, chief operating officer, and chief legal officer, and multiple part-time employees who operate as independent contractors of the Company. We have established a national network of external partners, contractors, and consultants to which we outsource various operational tasks in an effort to minimize administrative overhead and maximize efficiency.

We believe that a diverse workforce is important to our success. We will continue to focus on the hiring, retention and advancement of women and underrepresented populations, and to cultivate an inclusive and diverse corporate culture. In the future, we intend to continue to evaluate our use of human capital measures or objectives in managing our business such as the factors we employ or seek to employ in the development, attraction and retention of personnel and maintenance of diversity in our workforce.

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of innovative, flexible and convenient health and wellness programs, including benefits that provide protection and security so they can have peace of mind concerning events that may require time away from work or that impact their financial well-being; that support their physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors; and that offer choice where possible so they can customize their benefits to meet their needs and the needs of their families.

We also provide robust compensation and benefits programs to help meet the needs of our employees. We believe that we maintain a satisfactory working relationship with our employees and have not experienced any labor disputes.

## ITEM 1A. RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should not invest in our stock unless you are able to bear the complete loss of your investment. You should carefully consider the risks described below, as well as other information provided to you in this annual report on Form 10-K, including information in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cautionary Note Regarding Forward-Looking Information and Factors That May Affect Future Results" before making an investment decision. The risks and uncertainties described below are not the only ones facing Zoned Properties. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline, and you may lose all or part of your investment.*

### Risks Related to Our Business and Our Industry

***Because we have limited operating history in the real estate industry, we may not succeed.***

We have limited operating history or experience in procuring, building out or leasing real estate for agricultural purposes, specifically legalized marijuana grow facilities, or with respect to any other activity in the cannabis industry. Moreover, we are subject to all risks inherent in developing a new business enterprise. Our likelihood of success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with establishing a new business and the competitive and regulatory environment in which we operate. For example, the regulated cannabis industry is new and may not succeed, particularly should the federal government change course and decide to prosecute those dealing in medical marijuana. If that happens there may not be an adequate market for our properties or other activities we propose to engage in.

You should further consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages. For example, unanticipated expenses, delays and or complications with build outs, zoning issues, legal disputes with neighbors, local governments, communities and or tenants. We may not successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of our common stock to the point investors may lose their entire investment.

***We may be unable to continue as a going concern if we do not successfully raise additional capital.***

We may need to raise additional funds through public or private debt or equity financings, as well as obtain credit from vendors to be able to fully execute our business plan. If we cannot raise additional capital, we may be otherwise unable to achieve our goals or continue our property development. While we believe that we will be able to raise the capital we need to continue our operations, there can be no assurances that we will be successful in these efforts or will be able to resolve any liquidity issues or eliminate our operating losses. In addition, any additional capital raised through the sale of equity may dilute your ownership interest. We may not be able to raise additional funds on favorable terms, or at all. If we are unable to obtain additional funds or credit from our vendors, we may be unable to execute our business plan and you could lose your investment.

***Because we may be unable to identify and or successfully acquire properties which are suitable for our business, our financial condition may be negatively affected.***

Our business plan involves the identification and the successful acquisition of properties, which are zoned for legalized cannabis businesses, including cultivation and retail. The properties we acquire will be leased to regulated cannabis operators. Local governments must approve and adopt zoning ordinances for medical cannabis facilities and retail dispensaries. A lack of properly zoned real estate may reduce our prospects and limit our opportunity for growth and or increase the cost at which suitable properties are available to us. Conversely a surplus of real estate zoned for medical cannabis establishments may reduce demand and prices we are able to charge for properties we may have previously acquired.

In addition, some jurisdictions, such as Arizona, impose limits on the number of medical cannabis dispensaries that will be permitted to operate within designated geographic areas. Such limitations inherently place constraints on the number of properties we acquire for lease to operators in the cannabis industry.

***If we fail to diversify our property portfolio or advisory and real estate services offered, downturns relating to certain industries or business sectors or the financial stability of our significant tenants may have a significant adverse impact on our assets and our ability to pay our operating expenses or pay dividends than if we had a diversified property portfolio and service offerings.***

While we intend to diversify our portfolio of properties, we are not required to observe specific diversification criteria. Therefore, our total assets are concentrated into a limited number of tenants who were considered significant tenants. To the extent that our total assets are concentrated in a limited number of tenants that are in the regulated cannabis industry, downturns relating generally to such industry or business sector, or a decline in the financial stability of our Significant Tenants may result in defaults on all of our leases within a short time period, which may reduce our net income and the value of our common stock and accordingly, limit our ability to pay or operating expenses or pay dividends to our stockholders. As of December 31, 2022 and 2021, we had an asset concentration related to our Significant Tenant leases at our Tempe, Chino Valley, Green Valley and Kingman, Arizona properties and our property located in Pleasant Ridge, Michigan. As of December 31, 2022 and 2021, these Significant Tenants represented approximately 59.8% and 79.2% of total assets, respectively. If our tenants are prohibited from operating or cannot pay their rent, we may not have enough working capital to support our operations and we would have to seek out new tenants at rental rates per square foot that may be less than our current rate per square foot.

Any adverse economic or real estate developments in the medical cannabis industry could adversely affect our operating results and our ability to collect rent from out tenants, pay our operating expenses or pay dividends to our stockholders.

***Because our business is dependent upon continued market acceptance by our tenants' consumers, any negative trends will adversely affect our business operations.***

Out tenants are substantially dependent on continued market acceptance and proliferation of consumers of regulated cannabis. We believe that as cannabis becomes more accepted, the stigma associated with cannabis use will diminish and as a result, consumer demand will continue to grow. And while we believe that the market and opportunity in the cannabis space continues to grow, we cannot predict the future growth rate and size of the market. Any negative outlook on the cannabis industry will adversely affect our tenants' business operations and their ability to pay rent to us.

In addition, it is believed by many that large well-funded businesses may have a strong economic opposition to the cannabis industry. We believe that the pharmaceutical industry clearly does not want to cede control of any product that could generate significant revenue. For example, medical cannabis will likely adversely impact the existing market for the current "marijuana pill" sold by the mainstream pharmaceutical industry, should cannabis displace other drugs or encroach upon the pharmaceutical industry's products. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical cannabis movement. Any inroads the pharmaceutical could make in halting the impending cannabis industry could have a detrimental impact on our proposed business.

***Because we buy and lease property, we will be subject to general real estate risks.***

We will be subject to risks generally incident to the ownership of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of, or demand for, similar or competing properties in the area; (c) bankruptcies, financial difficulties or defaults by tenants or other parties; (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve full stabilized occupancy at rental rates adequate to produce targeted returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards; and (j) changes in tax, real estate, environmental, zoning or other laws or regulations. For these and other reasons, no assurance can be given that we will be profitable.

***Our growth depends on external sources of capital, which may not be available on favorable terms or at all. In addition, banks and other financial institutions may be reluctant to enter into lending transactions with us, including secured lending, because our properties are used in the cannabis industry. If this source of funding is unavailable to us, our growth may be limited and our business may be materially adversely affected.***

Our ability to acquire, operate and sell properties, engage in the business activities that we have planned and achieve positive financial performance depends, in large measure, on our ability to obtain financing in amounts and on terms that are favorable. The capital markets in the United States in general, and in the cannabis sector in particular, have undergone a turbulent period in which lending was severely restricted. Although there appear to be signs that financial institutions are resuming lending, the market has not yet returned to its pre-2008 state. The cannabis sector experienced significant volatility in 2019 and 2020 and such volatility is expected to continue in 2023. Obtaining favorable financing in the current environment remains challenging.

In order to grow our business, we may seek financing through newly issued equity or debt. We may not be in a position to take advantage of attractive investment opportunities for growth if we are unable, due to global or regional economic uncertainty, changes in the state or federal regulatory environment relating to the medical-use cannabis industry, changes in market conditions for the regulated cannabis industry, our own operating or financial performance or otherwise, to access capital markets on a timely basis and on favorable terms, or at all.

Our access to capital will depend upon a number of factors over which we have little or no control, including general market conditions and the market's perception of our current and potential future earnings. If general economic instability or downturn, or volatility within the cannabis sector, leads to an inability to borrow at attractive rates or at all, our ability to obtain capital could be negatively impacted. In addition, banks and other financial institutions may be reluctant to enter into lending transactions with us, particularly secured lending, because our properties are used in the cultivation, production or dispensing of medical-use cannabis. If this source of funding is unavailable to us, our growth may be limited and our business may be materially adversely affected.

If we are unable to obtain capital on terms and conditions that we find acceptable, we likely will have to curtail operations and reduce the number of properties we purchase in the future. In addition, our ability to refinance all or any debt we may incur in the future, on acceptable terms or at all, is subject to all of the above factors, and will also be affected by our future financial position, results of operations and cash flows, which additional factors are also subject to significant uncertainties, and therefore we may be unable to refinance any debt we may incur in the future, as it matures, on acceptable terms or at all. All of these events would have a material adverse effect on our business, financial condition, liquidity and results of operations.

In addition, securities clearing firms may refuse to accept deposits of our securities, which may negatively impact the trading of our securities and have a material adverse impact on our ability to obtain capital.

***Because we will compete with others for suitable properties, competition will result in higher costs that could materially affect our financial condition.***

We will experience competition for real estate investments from individuals, corporations and other entities engaged in real estate investment activities, many of whom have greater financial resources than us. Competition for investments may have the effect of increasing costs and reducing returns to our investors.

***Because we are liable for hazardous substances on our properties, environmental liabilities are possible and can be costly.***

Federal, state and local laws impose liability on a landowner for releases or the otherwise improper presence on the premises of hazardous substances. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials brought onto a property before it acquired title and for hazardous materials that are not discovered until after it sells the property. Similar liability may occur under applicable state law. Sellers of properties may make only limited representations as to the absence of hazardous substances. If any hazardous materials are found within our properties in violation of law at any time, we may be liable for all cleanup costs, fines, penalties and other costs. This potential liability will continue after we sell the properties and may apply to hazardous materials present within the properties before we acquire the properties. If losses arise from hazardous substance contamination, which cannot be recovered from a responsible party, the financial viability of the properties may be adversely affected. It is possible that we will purchase properties with known or unknown environmental problems, which may require material expenditures for remediation.

***Because we may not be adequately insured, we could experience significant liability for uninsured events.***

While our tenants currently carry comprehensive insurance on our properties, including fire, liability and extended coverage insurance, there are certain risks that may be uninsurable or not insurable on terms that management believes to be economical. For example, management may not obtain insurance against floods, terrorism, mold-related claims, or earthquake insurance. If such an event occurs to, or causes the damage or destruction of, a property, we could suffer financial losses.

***If we are found non-compliance with the Americans with Disabilities Act, we will be subject to significant liabilities.***

If any of our properties are not in compliance with the Americans with Disabilities Act of 1990, as amended (the "ADA"), we may be required to pay for any required improvements. Under the ADA, public accommodations must meet certain federal requirements related to access and use by disabled persons. The ADA requirements could require significant expenditures and could result in the imposition of fines or an award of damages to private litigants. We cannot assure that ADA violations do not or will not exist at any of our properties.

***Our inability to effectively manage our growth could harm our business and materially and adversely affect our operating results and financial condition***.

Our strategy envisions growing our business. Any growth in or expansion of our business is likely to continue to place a strain on our management and administrative resources, infrastructure and systems. As with other growing businesses, we expect that we will need to further refine and expand our business development capabilities, our systems and processes and our access to financing sources. We also will need to hire, train, supervise and manage new employees. These processes are time consuming and expensive, will increase management responsibilities and will divert management attention. We cannot assure you that we will be able to:

- expand our business effectively or efficiently or in a timely manner;
- allocate our human resources optimally;
- meet our capital needs;
- identify and hire qualified employees or retain valued employees; or
- effectively incorporate the components of any business or product line that we may acquire in our effort to achieve growth.

Our inability or failure to manage our growth and expansion effectively could harm our business and materially and adversely affect our operating results and financial condition.

***Unfavorable global economic, business or political conditions could adversely affect our business, financial condition or results of operations.***

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including conditions that are outside of our control, including the impact of health and safety concerns, such as those relating to the current COVID-19 outbreak. The most recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including weakened demand for our properties and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our tenants, possibly resulting in delays in tenant payments. Any of the foregoing could harm our business and we cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact our business.

***We hold our cash and cash equivalents that we use to meet our working capital and operating expense needs in deposit accounts that could be adversely affected if the financial institution holding such funds fail.***

We hold our cash and cash equivalents that we use to meet our working capital and operating expense needs in deposit accounts at one financial institution. The balance held in these accounts exceeds the Federal Deposit Insurance Corporation, or FDIC, standard deposit insurance limit of $250,000. If the financial institution in which we hold such funds fails or is subject to significant adverse conditions in the financial or credit markets, we could be subject to a risk of loss of all or a portion of such uninsured funds or be subject to a delay in accessing all or a portion of such uninsured funds. Any such loss or lack of access to these funds could adversely impact our short-term liquidity and ability to meet our operating expense obligations, including payroll obligations.

For example, on March 10, 2023, Silicon Valley Bank, or SVB, and Signature Bank, were closed by state regulators and the FDIC was appointed receiver for each bank. The FDIC created successor bridge banks and all deposits of SVB and Signature Bank were transferred to the bridge banks under a systemic risk exception approved by the United States Department of the Treasury, the Federal Reserve and the FDIC. If the financial institution in which we hold funds for working capital and operating expenses were to fail, we cannot provide any assurances that such governmental agencies would take action to protect our uninsured deposits or investments in a similar manner.

***We will be required to attract and retain top quality talent to compete in the marketplace.***

We believe our future growth and success will depend in part on our ability to attract and retain highly skilled managerial, sales and marketing, and finance personnel. There can be no assurance of success in attracting and retaining such personnel. Shortages in qualified personnel could limit our ability to compete in the marketplace.

***We are dependent on Bryan McLaren, our Chief Executive Officer, President, Chief Financial Officer and Chairman of the Board, and the loss of this officer could harm our business and prevent us from implementing our business plan in a timely manner.***

In view of his direct relationships with industry partners that directly contribute to our business development strategy, our success depends substantially upon the continued services of Mr. McLaren. We previously purchased a one-year key person life insurance policy on Mr. McLaren with a base coverage amount of $8,000,000 renewable annually at a 10-year fixed guaranteed premium. The policy was renewed in January 2023. The loss of Mr. McLaren's services could have a material adverse effect on our business and operations.

**Risks Related to Government Regulation**

***Marijuana remains illegal under federal law, and therefore, strict enforcement of federal laws regarding marijuana would likely result in our inability and the inability of our tenants to execute our respective business plans.***

Marijuana is a Schedule I controlled substance under the CSA. Even in those jurisdictions in which the manufacture and use of medical marijuana has been legalized at the state level, the possession, use and cultivation all remain violations of federal law that are punishable by imprisonment and substantial fines, and the prescription of marijuana is a violation of federal law. Moreover, individuals and entities may violate federal law if they intentionally aid and abet another in violating these federal controlled substance laws or conspire with another to violate them. The U.S. Supreme Court has ruled in *United States v. Oakland Cannabis Buyers' Coop.* and *Gonzales v. Raich* that it is the federal government that has the right to regulate and criminalize marijuana, even for medical purposes. We would likely be unable to execute our business plan if the federal government were to strictly enforce federal law regarding marijuana.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued which rescinded the Cole Memo. The Sessions Memo stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime," and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. The Company is not aware of any prosecutions of investment companies doing routine business with licensed marijuana related businesses in light of the DOJ position following issuance of the Sessions Memo. However, there can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memo, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities, despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memo as to the priority they should ascribe to such cannabis activities, and thus it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

Federal prosecutors appear to continue to use the Cole Memo's priorities as an enforcement guide. Merrick Garland, who became Attorney General on March 10, 2021, has indicated that he would deprioritize enforcement of low-level cannabis crimes such as possession, and has shared his view that the government should focus on large-scale criminal enterprises that circumvent state legalization laws instead of going after people who abide by local cannabis policies. The Company believes it is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memo or any replacement thereof and when or if the Sessions Memo will be rescinded. To date, there has been no new federal cannabis memoranda issued by the Biden Administration or any published change in federal enforcement policy. Regardless, U.S. federal government has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the Cole Memo does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the U.S. federal government will not enforce such laws in the future. The sheer size of the cannabis industry, however, in addition to participation by state and local governments and investors, suggests that a large-scale federal enforcement operation would more than likely create unwanted political backlash for the DOJ and the current administration. Regardless, at this time, cannabis remains a Schedule I controlled substance at the federal level. It is unclear whether the risk of enforcement has been altered.

One legislative safeguard for the medical cannabis industry, appended to the federal budget bill, remains in place following the rescission of the Cole Memo. For several years, Congress has adopted a so-called "rider" provision to the Consolidated Appropriations Act (formerly referred to as the Rohrabacher-Farr Amendment and currently referred to as the Rohrabacher-Blumenauer Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. Despite the rescission of the Cole Memo, the DOJ appears to continue to adhere to the enforcement priorities set forth in the Cole Memo.

The Cole Memo and the Rohrabacher-Blumenauer Amendment gave licensed cannabis operators (particularly medical cannabis operators) and investors in states with legal regimes greater certainty regarding the DOJ's enforcement priorities and the risk of operating cannabis businesses. While the Sessions Memo has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult use markets across the United States. When she was a U.S. Senator, Vice President Kamala Harris was the lead sponsor of the Marijuana Opportunity, Reinvestment, and Expungement (MORE) Act, which seeks to end the federal prohibition of marijuana, among other things, but in March 2020, it was reported that Vice President Harris has adopted the same position as President Biden, who opposes legalization. Currently, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will remain in place or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law criminalizing cannabis.

Although the U.S. Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, and federal law criminalizing the use of marijuana preempts state laws that legalize its use, cannabis is largely regulated at the state level.

State laws that permit and regulate the production, distribution and use of cannabis for adult use or medical purposes are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company's activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

Many states and U.S. territories have legalized the medical and/or adult use of cannabis. We will continue to monitor compliance on an ongoing basis in accordance with our compliance program and standard operating procedures. While our operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under federal law. Accordingly, there are significant risks associated with our business.

***Owners of properties located in close proximity to our properties may assert claims against us regarding the use of the property as a marijuana dispensary or marijuana cultivation and processing facility, which if successful, could materially and adversely affect our business.***

Owners of properties located in close proximity to our properties may assert claims against us regarding the use of our properties as cannabis dispensaries or for cannabis cultivation and processing, including assertions that the use of the property constitutes a nuisance that diminishes the market value of such owner's nearby property. Such property owners may also attempt to assert such a claim in federal court as a civil matter under the Racketeer Influenced and Corrupt Organizations Act. If a property owner were to assert such a claim against us, we may be required to devote significant resources and costs to defending ourselves against such a claim, and if a property owner were to be successful on such a claim, our tenants may be unable to continue to operate their business in its current form at the property, which could materially adversely impact the tenant's business and the value of our property, our business and financial results and the trading price of our securities.

***We and our tenants may have difficulty accessing the services of banks, which may make it difficult to contract for real estate needs.***

Financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. Previous guidance issued by the Financial Crimes Enforcement Network, a division of the U.S. Department of the Treasury ("FinCEN"), clarifies how financial institutions can provide services to marijuana-related businesses consistent with their obligations under the Bank Secrecy Act. Prior to the DOJ's announcement in 2018 of the rescission of the Cole Memo and related memoranda, supplemental guidance from the DOJ directed federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo when determining whether to charge institutions or individuals with any of the financial crimes described above based upon marijuana-related activity.

Consequently, those businesses involved in the marijuana industry continue to encounter difficulty establishing banking relationships, which may increase over time. Our inability to maintain our current bank accounts would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges and could result in our inability to implement our business plan.

The inability of our current and potential tenants to open accounts and continue using the services of banks will limit their ability to enter into triple-net lease arrangements with us or may result in their default under our lease agreements, either of which could materially harm our business and the trading price of our securities.

***Laws and regulations affecting the regulated cannabis and marijuana industry are constantly changing, which could materially adversely affect our operations, and we cannot predict the impact that future regulations may have on us.***

Local, state and federal marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on its operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to our proposed business. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

***FDA regulation of marijuana and the possible registration of facilities where medical marijuana is grown could negatively affect the marijuana industry, which would directly affect our financial condition.***

Should the federal government legalize marijuana for medical use, it is possible that the FDA would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including cGMPs (certified good manufacturing practices) related to the growth, cultivation, harvesting and processing of medical marijuana. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical marijuana is grown be registered with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, we do not know what the impact would be on the medical marijuana industry, what costs, requirements and possible prohibitions may be enforced. If we or our tenants are unable to comply with the regulations and or registration as prescribed by the FDA, we and or our tenants may be unable to continue to operate their and our business in its current form or at all.

**Risks Related to Our Common Stock**

***Our common stock is quoted on the OTCQB, which may limit the liquidity and price of our common stock more than if our common stock were listed on The NASDAQ Stock Market or another national exchange.***

Our securities are currently quoted on the OTCQB, an inter-dealer automated quotation system for equity securities. Quotation of our securities on the OTCQB may limit the liquidity and price of our securities more than if our securities were listed on The NASDAQ Stock Market ("NASDAQ") or another national exchange. As an OTCQB company, we do not attract the extensive analyst coverage that accompanies companies listed on national securities exchanges. Further, institutional and other investors may have investment guidelines that restrict or prohibit investing in securities traded on the OTCQB. These factors may have an adverse impact on the trading and price of our common stock.

***The trading price of our common stock may decrease due to factors beyond our control.***

The stock market from time to time has experienced extreme price and volume fluctuations, which have particularly affected the market prices for smaller reporting companies and which often have been unrelated to the operating performance of the companies. These broad market fluctuations may adversely affect the market price of our common stock. If our shareholders sell substantial amounts of their common stock in the public market, the price of our common stock could fall. These sales also might make it more difficult for us to sell equity, or equity-related securities, in the future at a price we deem appropriate.

The market price of our common stock may also fluctuate significantly in response to the following factors, most of which are beyond our control:

- variations in our quarterly operating results,
- changes in general economic conditions and in the real estate industry,
- changes in market valuations of similar companies,
- announcements by us or our competitors of significant new contracts, acquisitions, strategic partnerships or joint ventures, or capital commitments,
- loss of a major customer, partner or joint venture participant and
- the addition or loss of key managerial and collaborative personnel.

Any such fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. As a result, stockholders may be unable to sell their shares, or may be forced to sell them at a loss.

***The market price for our common shares is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float, limited operating history and lack of profits which could lead to wide fluctuations in our share price. You may be unable to sell your common shares at or above your purchase price, which may result in substantial losses to you.***

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, as noted above, our common shares are sporadically and thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or "risky" investment due to our limited operating history and lack of profits to date. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond our control and may decrease the market price of our common shares, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our common shares will be at any time, including as to whether our common shares will sustain their current market prices, or as to what effect that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price.

***Our preferred stockholders together have voting control, which will limit your ability to influence the outcome of important transactions, including a change in control.***

Each of our preferred stockholders beneficially owns 1,000,000 shares of our preferred stock. Each share of preferred stock entitles the holder to 50 votes per share. In contrast, each share of our common stock has one vote per share. Each of our two preferred stockholders holds approximately 45.5% and 45.8% of the voting power of our outstanding capital stock, respectively. Because of the 50-to-1 voting ratio between our preferred stock and our common stock, our preferred stockholders together control a majority of the combined voting power of our capital stock and therefore are able to control all matters submitted to our stockholders for approval. The preferred stockholders may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our common stock.

***We may face continuing challenges in complying with the Sarbanes-Oxley Act, and any failure to comply or any adverse result from management's evaluation of our internal control over financial reporting may have an adverse effect on our stock price.***

As a smaller reporting company as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Section 404 requires us to include an internal control report with our Annual Report on Form 10-K. The report must include management's assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year. This report must also include disclosure of any material weaknesses in internal control over financial reporting that we have identified.

Failure to comply, or any adverse results from such evaluation, could result in a loss of investor confidence in our financial reports and have an adverse effect on the trading price of our equity securities. Management concluded that our internal control over financial reporting as of December 31, 2022 were not effective. Management realizes there are deficiencies in the design or operation of our internal control over financial reporting that adversely affect our internal controls, and management considers such deficiencies to be material weaknesses. As of the end of our 2022 fiscal year, management identified the following material weaknesses:

- we had not implemented comprehensive entity-level internal controls;
- we had not implemented adequate system and manual controls; and
- we did not have sufficient segregation of duties.

Achieving continued compliance with Section 404 may require us to incur significant costs and expend significant time and management resources. We cannot assure you that we will be able to fully comply with Section 404 or that we will be able to conclude that our internal control over financial reporting is effective at fiscal year-end. As a result, investors could lose confidence in our reported financial information, which could have an adverse effect on the trading price of our securities.

***We have never paid dividends on our common stock and cannot guarantee that we will pay dividends to our stockholders in the future.***

We have never paid dividends on our common stock. For the foreseeable future, we intend to retain our future earnings, if any, in order to reinvest in the development and growth of our business and, therefore, do not intend to pay dividends on our common stock. However, in the future, our board of directors may declare dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, and such other factors as our board of directors deems relevant. Accordingly, investors may need to sell their shares of our common stock to realize a return on their investment, and they may not be able to sell such shares at or above the price paid for them. We cannot guarantee that we will pay dividends to our stockholders in the future.

***Our common stock is a "penny stock" under SEC rules. It may be more difficult to resell securities classified as "penny stock."***

Our common stock is considered a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per-share price below $5.00). Unless we maintain a per-share price above $5.00, these rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, broker-dealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Broker-dealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide 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.

Legal remedies available to an investor in "penny stocks" may include the following:

- If a "penny stock" is sold to the investor in violation of the requirements listed above, or other federal or states securities laws, the investor may be able to cancel the purchase and receive a refund of the investment.

- If a "penny stock" is sold to the investor in a fraudulent manner, the investor may be able to sue the persons and firms that committed the fraud for damages.

However, investors who have signed arbitration agreements may have to pursue their claims through arbitration.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that is or becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to resell our common stock.

Many brokerage firms will discourage or refrain from recommending investments in penny stocks. Most institutional investors will not invest in penny stocks. In addition, many individual investors will not invest in penny stocks due, among other reasons, to the increased financial risk generally associated with these investments.

For these reasons, penny stocks may have a limited market and, consequently, limited liquidity. We can give no assurance that our common stock will not be classified as a "penny stock" in the future.

***Rule 144 Related Risks***

Pursuant to Rule 144, a person who has beneficially owned restricted shares of our common stock for at least six months is entitled to sell his or her securities provided that: (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of securities of the same class then outstanding; or

- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

*provided*, in each case that we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale. Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

In addition, as a former shell company, we are subject to additional restrictions. Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, shell companies, such as Zoned Properties. Rule 144 is not available for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company,

- The issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act,

- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than current reports on Form 8-K, and

- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

This Item 1B is not applicable to smaller reporting companies.

**ITEM 2. PROPERTIES**

Our principal executive office is currently located at 8360 E. Raintree Drive, #230, Scottsdale, AZ 85260. On March 15, 2022, we entered to an Assumption of Lease and Consent Agreement with a landlord, whereby the landlord consented to the assignment of an office lease, as amended, from the original tenant to the Company. The lease term shall begin on March 15, 2022 and expire on November 30, 2024, provided the Company has the option to extend the lease for an additional five years. The monthly base rent is $2,932 per month through November 30, 2022, $3,005 from December 1, 2022 through November 30, 2023, and $3,078 from December 1, 2023 through November 30, 2024.

We are in the business of property acquisition, development, and commercial leasing and intend to primarily structure lease agreements with prospective tenants using a triple-net lease model. The property portfolio currently includes (i) land and real property constructed in Green Valley, Arizona, (ii) land and real property in Kingman, Arizona, (iii) land and real property in Tempe Arizona, (iv) land and real property of approximately 47 acres in Chino Valley, Arizona, and (v) land and real property in Pleasant Ridge, Michigan. The properties in Tempe, Green Valley, Kingman, and Chino Valley, Arizona, and Pleasant Ridge, Michigan are currently leasing space to tenants that operate licensed cannabis facilities. On June 1, 2021, we closed on the sale of our vacant land located in Gilbert, AZ for an aggregate purchase price of $335,000. In connection with the sale, we received net proceeds of $322,332 and recorded a gain on sale of rental property of $51,944. As of December 31, 2022, each of our leased properties was generating revenue.

**ITEM 3. LEGAL PROCEEDINGS**

There are no pending or threatened legal or administrative actions pending or threatened against us that we believe would have a material effect on our business.

**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

Our common stock is quoted on the OTCQB, operated by the OTC Markets Group, under the symbol "ZDPY." Trading in OTCQB stocks can be volatile, sporadic and risky, as thinly traded stocks tend to move more rapidly in price than more liquid securities. Such trading may also depress the market price of our common stock and make it difficult for our stockholders to resell their common stock.

The following table reflects the high and low closing price for our common stock for the period indicated. The bid information was obtained from the OTC Markets Group, Inc. and reflects inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

| Quarter Ended | High | Low |
|---|---|---|
| December 31, 2022 | $ 0.85 | $ 0.57 |
| September 30, 2022 | $ 0.77 | $ 0.57 |
| June 30, 2022 | $ 0.84 | $ 0.53 |
| March 31, 2022 | $ 0.83 | $ 0.50 |
| | | |
| December 31, 2021 | $ 0.94 | $ 0.71 |
| September 30, 2021 | $ 0.95 | $ 0.47 |
| June 30, 2021 | $ 0.70 | $ 0.47 |
| March 31, 2021 | $ 1.00 | $ 0.29 |

On March 27, 2023, the closing price of our common stock on the OTCQB was $[ ] per share.

**Holders of Common Stock**

As of March 28, 2023, there were approximately 103 record holders of our common stock. The number of record holders does not include beneficial owners of common stock whose shares are held in the names of banks, brokers, nominees or other fiduciaries.

**Recent Sales of Unregistered Securities**

None.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Securities Authorized for Issuance under Equity Compensation Plans**

On August 9, 2016, our Board of Directors authorized the 2016 Equity Incentive Plan (the "2016 Plan") and reserved 10,000,000 shares of common stock for issuance thereunder. The 2016 Plan's purpose is to encourage ownership in the Company by employees, officers, directors and consultants whose long-term service the Company considers essential to its continued progress and, thereby, encourage recipients to act in the stockholders' interest and share in the Company's success. The 2016 Plan authorizes the grant of awards in the form of options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code (the "Code"), options that do not qualify (non-statutory stock options) and grants of restricted shares of common stock. Restricted shares granted pursuant to the 2016 Plan are amortized to expense over the three-year vesting period. Options vest and expire over a period not to exceed seven years. If any share of common stock underlying a stock option that has been granted ceases to be subject to a stock option, or if any shares of common stock that are subject to any other stock-based award granted are forfeited or terminate, such shares shall again be available for distribution in connection with future grants and awards under the 2016 Plan. As of December 31, 2022, 1,102,500 stock option awards have been granted under the 2016 Plan. On December 31, 2022, 8,897,500 shares are available for future issuance.

The Company also continues to maintain its 2014 Equity Compensation Plan (the "2014 Plan"), pursuant to which 1,250,000 previously awarded stock options are outstanding. The 2014 Plan has been superseded by the 2016 Plan. Accordingly, no additional shares subject to the existing 2014 Plan will be issued and the 1,250,000 shares issuable upon exercise of stock options will be issued pursuant to the 2014 Plan, if exercised. As of December 31, 2022, options to purchase 1,250,000 shares of common stock are outstanding pursuant to the 2014 Plan.

**DESCRIPTION OF SECURITIES**

**General**

**Outstanding Shares and Holders**

As of March 28, 2023, our authorized capital stock consists of 100,000,000 shares of common stock, $0.001 par value per share, 12,201,548 of which were issued and outstanding, and 5,000,000 shares of preferred stock, $0.001 par value per share, 2,000,000 of which were issued and outstanding.

***Common Stock***

Holders of the Company's common stock are entitled to one vote for each share on all matters submitted to a stockholder vote. Holders of common stock do not have cumulative voting rights. Holders of the Company's common stock are entitled to share in all dividends that our board of directors, in its discretion, declares from legally available funds. In the event of a liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock. The Company's common stock has no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to the Company's common stock.

***Preferred Stock***

Our articles of incorporation, as amended, authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time one or more classes or series of preferred stock. Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders.

The certificate of designation for the preferred stock provides that the shares are not convertible into any other class or series of stock. Holders of preferred shares are entitled to 50 votes for each share held. Voting rights are not subject to adjustment for splits that increase or decrease the common shares outstanding. Upon liquidation, holders of preferred stock will be entitled to receive $1.00 per share plus redemption provision before assets are distributed to other stockholders. Holders of preferred shares are entitled to dividends equal to common share dividends. Once any shares of preferred stock are outstanding, at least 51% of the total number of shares of preferred stock outstanding must approve the following transactions:

- alteration of the rights, preferences of privileges of the preferred stock,
- creation of any new class of stock having preferences over the preferred stock,
- repurchase of any of our common stock,
- merger of consolidation with any other company, other than one of our wholly owned subsidiaries,
- sale, conveyance or other disposal of, or creation or incurrence of any mortgage, lien, or charge or encumbrance or security interest in or pledge of, or sale and leaseback of, all or substantially all of our property or business, or
- incurrence, assumption or guarantee of any indebtedness maturing more than 18 months after the date on which it is incurred, assumed or guaranteed by us, except for operating leases and obligations assumed as part of the purchase price of property.

Holders of a majority of the voting power of our capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of stockholders. A vote by the holders of a majority of our outstanding voting shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our articles of incorporation.

Holders of preferred shares vote along with common stockholders on each matter submitted to a vote of security holders. As a result of the multiple votes accorded to holders of the preferred stock, Greg Johnston and Alex McLaren have the ability to control the outcome of all matters submitted to a vote of stockholders, including the election of directors. On those matters that require the approval of at least 51% of the preferred stock, both Mr. Johnston and Mr. McLaren must provide their approval inasmuch as each of them owns 50% of the outstanding preferred stock.

**Dividends**

Historically, we have not paid any cash dividends on our common stock. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest cash flow and earnings, if any, in our business operations. However, in the future, our board of directors may declare dividends on our common stock. Payment of future dividends on our common stock, if any, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. In addition, the agreements into which we may enter in the future, including indebtedness, may impose limitations on our ability to pay dividends or make other distributions on our capital stock. We cannot guarantee that we will pay dividends to our stockholders in the future. Holders of preferred shares are entitled to dividends equal to common share dividends.

**Anti-Takeover Effects of Certain Provisions of Our Articles of Incorporation, as Amended, and Our Bylaws**

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

*Preferred Stock.* Our articles of incorporation, as amended, authorize our board of directors to issue from time to time any series of preferred stock and fix the voting powers, designation, powers, preferences and rights of the shares of such series of preferred stock.

*Calling of Special Meetings of Stockholders.* Our bylaws provide that special meetings of the stockholders may be called only by the chairman of the board or the chief executive officer, and shall be called by the chairman of the board or the secretary (i) when so directed by the board, or (ii) at the written request of stockholders owning shares representing at least 25% of voting power in the election of directors.

*Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our bylaws establish an advance notice procedure for stockholder proposals to be brought before a meeting of our stockholders, including proposed nominations of persons for election to the board of directors.

*Removal of Directors; Vacancies.* Our bylaws provide that a director may be removed from office by stockholders for cause, or without cause by a majority vote of the stockholders. A vacancy on the board of directors may be filled only by a majority of the directors then in office.

**ITEM 6. RESERVED**

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

**Cautionary Note Regarding Forward-Looking Information and Factors That May Affect Future Results**

This annual report on Form 10-K contains forward-looking statements regarding our business, financial condition, results of operations and prospects. The Securities and Exchange Commission (the "SEC") encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report on Form 10-K and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Factors that could cause our actual results of operations and financial condition to differ materially are set forth in the "Risk Factors" section of this annual report on Form 10-K.

We caution that these factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The following discussion should be read in conjunction with our audited financial statements and the related notes that appear elsewhere in this annual report on Form 10-K.

**Overview**

Zoned Properties, Inc. ("Zoned Properties" or the "Company"), was incorporated in the State of Nevada on August 25, 2003. In October 2013, the Company changed its name to Zoned Properties, Inc. and in April 2014, the Company shifted its business model to address commercial real estate in the regulated cannabis industry. The Company is a real estate development firm for emerging and highly regulated industries, including legalized cannabis. The Company is redefining the approach to commercial real estate investment through its integrated growth services. Headquartered in Scottsdale, Arizona, Zoned Properties has developed a full spectrum of integrated growth services to support its real estate development model; the Company's Property Technology, Advisory Services, Commercial Brokerage, and Investment Portfolio collectively cross-pollinate within the model to drive project value associated with complex real estate projects. With national experience and a team of experts devoted to the emerging cannabis industry, Zoned Properties is addressing the specific needs of a modern market in highly regulated industries. Zoned Properties is an accredited member of the Better Business Bureau, the U.S. Green Building Council, and the Forbes Business Council. The Company does not grow, harvest, sell or distribute cannabis or any substances regulated under United States law such as the Controlled Substance Act of 1970, as amended (the "CSA").

We operate our business in two reportable segments consisting of (i) the operations, leasing and management of its leased commercial properties (the "Property Investment Portfolio" segment), and (ii) advisory and brokerage services related to commercial properties (the "Real Estate Services" segment). We are in the process of developing and expanding multiple business divisions, including a property technology division, a property advisory division, a commercial brokerage division, and a property investment portfolio division focused on acquisitions to expand our property holdings. Each of these operating divisions is an important element of the overall business development strategy for long-term growth. We believe in the value of building relationships with clients and local communities to position the Company for long-term portfolio and revenue growth backed by sophisticated, safe, and sustainable assets and clients.

The core of our business involves identifying and developing commercial properties that intend to operate within highly regulated industries, including the regulated and legalized cannabis industry. Within highly regulated industries, local municipalities typically develop strict regulations, including zoning and permitting requirements related to commercial real estate, that dictate the specific locations and parameters under which regulated properties can operate. These regulations often include complex permitting processes and can include non-standard codes governing each location; for example, restricting a regulated property or facility from operating within a certain distance of any parks, schools, churches, or residential districts, or restricting a regulated property from operating outside a defined set of hours of operation. When an organization can collaborate with local representatives, a proactive set of rules and regulations can be established and followed to meet the needs of both the regulated operators and the local community.

The Company currently maintains a portfolio of properties that we own, develop, and lease. We lease land and/or building space at all five of the properties in our portfolio. All of the properties are leased to licensed and regulated cannabis tenants and are located in areas with established zoning and permitting procedures. Three of the leased properties are zoned and permitted as licensed and regulated cannabis dispensaries, and two of the leased properties are zoned and permitted as licensed and regulated cannabis cultivation and processing facilities. Each regulated property may undergo a non-standard development process. Various development requirements in this process may include initial property identification, zoning authorization, and permitting guidance in order to qualify a commercial property for subsequent architectural design, utility installation, construction and development, property management, facilities management systems, and security system installation.

As of March 28, 2023, a summary of rental properties owned by us consisted of the following:

| Location | Tempe, AZ | Chino Valley, AZ | Green Valley, AZ | Kingman, AZ | Pleasant Ridge, MI | |
|---|---|---|---|---|---|---|
| **Description** | **Industrial /Office** | **Greenhouse/ Nursery** | **Retail (special use)** | **Retail (special use)** | **Retail (special use)** | |
| **Current Use** | **Cannabis Facility** | **Cannabis Facility** | **Cannabis Dispensary** | **Cannabis Dispensary** | **Cannabis Dispensary** | |
| **Date Acquired** | March 2014 | August 2015 | October 2014 | May 2014 | Dec 2022/ Feb 2023 | |
| **Lease Start Date** | May 2018 | May 2018 | May 2018 | May 2018 | December 2022 | |
| **Lease End Date** | April 2040 | April 2040 | April 2040 | April 2040 | March 2037 | |
| **Total No. of Tenants** | 1 | 1 | 1 | 1 | 1 | |
| | | | | | | **Portfolio Total** |
| **Land Area (Acres)** | 3.65 | 47.60 | 1.33 | 0.32 | 0.56 | 53.66 |
| **Land Area (Sq. Feet)** | 158,772 | 2,072,149 | 57,769 | 13,939 | 24,306 | 2,326,935 |
| **Undeveloped Land Area (Sq. Feet)** | - | 1,782,563 | - | 6,878 | - | 1,789,441 |
| **Developed Land Area (Sq. Feet)** | 158,772 | 289,586 | 57,769 | 7,061 | 24,306 | 537,494 |
| **Total Rentable Building Sq. Ft.** | 60,000 | 97,312 | 1,440 | 1,497 | 17,192 | 177,441 |
| **Vacant Rentable Sq. Ft.** | - | - | - | - | - | - |
| **Sq. Ft. rented as of March 28, 2023** | 60,000 | 97,312 | 1,440 | 1,497 | 17,192 | 177,441 |
| **Annual Base Rent (*,**)** | | | | | | |
| 2023 | 610,053 | 1,050,970 | 42,000 | 48,000 | 403,188 | 2,154,211 |
| 2024 | 610,053 | 1,050,970 | 42,000 | 48,000 | 494,712 | 2,245,735 |
| 2025 | 610,053 | 1,050,970 | 42,000 | 48,000 | 509,553 | 2,260,576 |
| 2026 | 598,589 | 1,050,970 | 42,000 | 48,000 | 524,840 | 2,264,399 |
| 2027 | 590,400 | 1,050,970 | 42,000 | 48,000 | 540,585 | 2,271,955 |
| Thereafter | 7,281,600 | 12,961,958 | 518,000 | 592,000 | 5,834,246 | 27,187,804 |
| Total | $10,300,748 | $ 18,216,808 | $ 728,000 | 832,000 | $ 8,307,124 | $38,384,680 |

* Annual base rent represents amount of cash payments due from tenants.
** For Tempe, AZ, table includes rental income generated from the lease of parking lot space used by a third party as an antenna location.

**Annualized $ per Rented Sq. Ft. (Base Rent)**

| Year | Tempe, AZ | Chino Valley, AZ | Green Valley, AZ | Kingman, AZ | Pleasant Ridge, MI |
|---|---|---|---|---|---|
| 2023 | $ 9.8 | $ 10.8 | $ 29.2 | $ 32.1 | 23.5 |
| 2024 | $ 9.8 | $ 10.8 | $ 29.2 | $ 32.1 | 28.8 |
| 2025 | $ 9.8 | $ 10.8 | $ 29.2 | $ 32.1 | 29.6 |
| 2026 | $ 9.8 | $ 10.8 | $ 29.2 | $ 32.1 | 30.5 |
| 2027 | $ 9.8 | $ 10.8 | $ 29.2 | $ 32.1 | 31.4 |

The Company focused heavily on the growth of a diversified revenue stream in 2022 and is moving to take advantage of new opportunities in 2023 and beyond. We intend to accomplish this by prospecting new real estate services across the country for private, public, and municipal clients. We believe that strategic real estate services are likely to emerge as the growth engine for Zoned Properties.

Pursuant to lease agreements with a Significant Tenant, from the period from May 31, 2020 through September 30, 2022, a Significant Tenant invested a combined total of at least $8,000,000 improvements in and to the properties in Chino Valley. The increase in the rentable area of the leased premises resulted in an increase in all amounts calculated based on the same, including, without limitation, base rent.

**Results of Operations**

The following comparative analysis on results of operations was based primarily on the comparative financial statements, footnotes and related information for the periods identified below and should be read in conjunction with the consolidated financial statements and the notes to those statements for the years ended December 31, 2022 and 2021, which are included elsewhere in this annual report on Form 10-K. The results discussed below are for the years ended December 31, 2022 and 2021.

**Comparison of Results of Operations for the Years Ended December 31, 2022 and 2021**

***Revenues***

For the years ended December 31, 2022 and 2021, revenues by reportable business segments were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Revenues: | | |
| Property investment portfolio: | | |
| Rental revenues | $ 1,795,719 | $ 1,261,059 |
| Real estate services: | | |
| Advisory revenues | 244,750 | 146,031 |
| Brokerage revenues | 619,621 | 413,395 |
| Total real estate services revenues | 864,371 | 559,426 |
| Total revenues | $ 2,660,090 | $ 1,820,485 |

For the year ended December 31, 2022, total revenues amounted to $2,660,090, including Significant Tenants revenues of $1,776,284, as compared to $1,820,485, including Significant Tenant revenues of $1,255,130, for the year ended December 31, 2021, an increase of $839,605, or 46.1%.

For the year ended December 31, 2022, the increase in revenues was attributable to an increase in rental revenue from our tenant of $534,660, an increase in brokerage revenue of $206,226 related to commission earned on real estate listings, and an increase in advisory revenues of $98,719. For the year ended December 31, 2022, the increase in rental revenues as compared to the year ended December 31, 2021 was attributable to an increase in rental revenue from our Chino Valley property related to a fourth amendment to our lease agreement in connection with an increase in rentable square footage, and due to the signing of a new lease with our new tenant at our recently acquired property located in Pleasant Ridge, Michigan which began on December 1, 2022. All of the Company's real estate properties are leased under triple-net leases to the Significant Tenants.

***Operating expenses***

For the year ended December 31, 2022, operating expenses amounted to $2,769,041 as compared to $1,775,785 for the year ended December 31, 2021, an increase of $993,256, or 55.9%. For the years ended December 31, 2022 and 2021, operating expenses consisted of the following:

| | Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Compensation and benefits | $ 1,232,414 | $ 488,607 |
| Professional fees | 352,643 | 397,877 |
| Brokerage fees | 431,029 | 265,208 |
| General and administrative expenses | 275,862 | 201,625 |
| Depreciation and amortization | 360,493 | 386,643 |
| Real estate taxes | 116,912 | 87,769 |
| Gain on sale of rental property | (312) | (51,944) |
| Total | **$ 2,769,041** | **$ 1,775,785** |

- For the year ended December 31, 2022, compensation and benefit expense increased by $743,807, or 152.2%, as compared to the year ended December 31, 2021. The increase was attributable to an increase in compensation and benefits of $515,232 and an increase in stock-based compensation of $228,575, related to the addition of multiple new full-time and part-time team members. The increase in stock-based compensation was from the accretion of stock option expense offset by a decrease in the value of common shares issued for services. During the second quarter of 2022, we began to hire additional staff related to the diversification of our real estate services for the expansion of both advisory services and brokerage services.

- For the year ended December 31, 2022, professional fees decreased by $45,234, or 11.4%, as compared to the year ended December 31, 2021. This decrease was primarily attributable to a decrease in consulting fees of $87,366 due to the hiring of certain consultants that are now employees, offset by an increase in accounting fees of $5,763, an increase in legal fees of $13,942, and an increase in public relations fees of $22,255.

- For the years ended December 31, 2022 and 2021, we recorded brokerage fees amounting to $431,029 and $265,208, respectively, representing an increase of $165,821, or 62.5%, from 2021 to 2022. Brokerage fees occur as the result of various percentage-based commission splits we pay to our licensed brokerage team members who participate in various real estate listing transactions.

- General and administrative expenses consist of expenses such as rent expense, insurance expense, insurance expense, travel expenses, office expenses, telephone and internet expenses, advertising and marketing expense, and other general operating expenses. For the year ended December 31, 2022, general and administrative expenses increased by $74,237, or 36.8%, as compared to the year ended December 31, 2021. These increases were primarily attributable to an increase in operating activities related to our real estate services segment.

- For the year ended December 31, 2022, depreciation expense decreased by $26,150, or 6.8%, as compared to the year ended December 31, 2021. This decrease was related to the decrease in amortization of intangible assets which were fully amortized.

- For the year ended December 31, 2022, real estate taxes increased by $29,143, or 33.2%, as compared to the year ended December 31, 2021. This increase was attributable to an increase in assessed real taxes associated with improvements made on our Chino Valley property,

- For the year ended December 31, 2022, we recorded a gain from sale of property and equipment of $312. For the year ended December 31, 2021, we recorded a gain from sale of our Gilbert property of $51,944.

***(Loss) income from operations***

As a result of the factors described above, for the year ended December 31, 2022, loss from operations amounted to $(108,951) as compared to income from operations of $44,700 for the year ended December 31, 2021, a negative change of $153,651, or 343.7%.

***Other (expenses) income***

Other (expense) income primarily includes interest expense incurred on debt with third parties and a related party and also includes other income (expense). For the year ended December 31, 2022, total other expenses, net amounted to $465,404 as compared to total other expenses, net of $210,519, respectively, representing an increase of $254,885, or 121.1%. This increase was attributable to the recording of a loss on note receivable investment of $210,756 that was deemed uncollectible, the recording of a change in fair value loss from an interest rate swap of $90,237 in connection with our bank note payable, and an increase in interest expense of $39,950 primarily related to an increase in notes payable. These increases were offset by a decrease in loss from unconsolidated joint ventures of $11,215 and a decrease in impairment loss from unconsolidated joint venture of $73,970 which was recorded in 2021.

***Net loss***

As a result of the foregoing, for the years ended December 31, 2022 and 2021, net loss amounted to $574,355, or $0.05 per common share (basic and diluted), and $165,819, or $0.01 per common share (basic and diluted), respectively.

**Liquidity and Capital Resources**

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. We had cash of $4,335,840 and $1,191,940 as of December 31, 2022 and 2021, respectively.

Our primary uses of cash have been for compensation and benefits, fees paid to third parties for professional services, real estate taxes, general and administrative expenses, and the development of rental properties and other lines of business. All funds received have been expended in the furtherance of growing the business. We receive funds from the collection of rental income and advisory fees. The following trends are reasonably likely to result in changes in our liquidity over the near to long term:

- An increase in working capital requirements to finance our current business,
- Addition of administrative and sales personnel as the business grows,
- The cost of being a public company,
- An increase in investments in joint ventures and other projects, and
- An increase in investments in rental property.

We may need to raise additional funds, particularly if we are unable to continue to generate positive cash flows from our operations. We estimate that based on current plans and assumptions, that our available cash will be sufficient to satisfy our cash requirements under our present operating expectations for the next 12 months from the date of this annual report on Form 10-K. Other than revenue received from the lease of our rental properties, from advisory fees, and from brokerage revenues, and from a bank note, we presently have no other significant alternative source of working capital.

We have used these funds to fund our operating expenses, pay our obligations, acquire and develop rental properties, invest in joint ventures and notes receivable, and to grow our company. We may need to raise significant additional capital or debt financing to acquire new properties, to develop existing properties, to assure we have sufficient working capital for our ongoing operations and debt obligations, and to invest in new joint venture and other projects.

As discussed elsewhere, during the year ended December 31, 2021, we contributed $86,000 to the Beakon joint venture and we contributed $90,000 to the Zoneomics Green joint venture. Additionally, on December 31, 2021, we recorded an other-than-temporary impairment loss of $73,970 because it was determined that the fair value of our equity method investment in Beakon was less than its carrying value. Based on management's evaluation, it was determined that due to market conditions and lack of committed funding, our ability to recover the carrying amount of the investment in Beakon was impaired as of December 31, 2021.

East West Bank Swap and Amended Note

On July 11, 2022, Zoned Arizona entered into a Loan Agreement (the "Loan Agreement"), dated as of July 11, 2022, by and between Zoned Arizona and East West Bank (the "Bank"). Pursuant to the terms of the Loan Agreement, subject to and upon the satisfaction of the terms and conditions of the Loan Agreement, Zoned Arizona could request advances under a multiple access loan ("MAL") during the MAL. On July 11, 2022, in connection with the Loan Agreement, Zoned Arizona paid loan and other fees of $176,472, and in connection with the First Amendment to the Loan Agreement discussed below, paid additional fees of $8,124. These loan and other fees aggregating $184,596 are reflected as a debt discount and are being amortized ratably and charged to interest expense over the term of the related debt.

The proceeds of each advance under the MAL may be used by Zoned Arizona to refinance the real property at 410 S. Madison Drive, Tempe, AZ 85251 (the "Property") or to conduct certain acts related to the acquisition, improvement and maintenance of real property. On termination of the MAL, all unpaid principal, unpaid and accrued interest, and all other amounts due under the MAL will be immediately due and payable.

The Loan Agreement contains representations, warranties and covenants customary for a transaction of this type. Among other things, the Loan Agreement provides as follows: (a) upon the occurrence of an event of default, the outstanding principal balance of the MAL will not at any time exceed 65% of the Property's most recent appraised value; (b) upon the occurrence of an event of default, Zoned Arizona will maintain a minimum Non-Cannabis Debt Service Coverage Ratio (as hereinafter defined) of 1.40 to 1.00; (c) Zoned Arizona will at all times maintain a minimum debt service coverage ratio of 1.50 to 1.0; and (d) Zoned Arizona and the Company, collectively, will maintain at all times, liquid assets of at least the sum of all tenant securities deposits under leases, plus $350,000 in operating reserves.

All advances under the MAL bear interest at a variable rate equal to the greater of (a) the prime rate plus 2%, or (b) a floor rate equal to the sum of the prime rate as of July 11, 2022 plus 2.25%. From July 11, 2022 to July 11, 2023, Zoned Arizona agreed to make interest payments on the outstanding principal balance of the MAL. From and after July 11, 2023 and continuing until July 11, 2028 (the "Maturity Date"), Zoned Arizona will pay principal together with interest on the MAL in 60 monthly installments based on the interest rate set forth in the Note and a principal amortization schedule of 25 years from July 11, 2023 (or if Zoned Arizona makes the Early Amortization Election, from the date such election is made).

Zoned Arizona may prepay the outstanding principal under the Note, at any time, subject to the provisions of the Note. If Zoned Arizona prepays all, but not less than all, of the outstanding principal balance of the MAL at any time until July 11, 2023, then Zoned Arizona will also pay a premium equal to 1% of the amount prepaid.

On December 7, 2022, Zoned Arizona and the Bank entered into a First Amendment to Loan Agreement (the "First Amendment"). Pursuant to the terms of the First Amendment, Zoned Arizona has elected to make its Early Amortization Election (defined in the First Amendment and Loan Agreement), which election requires Zoned Arizona to commence paying principal and interest on the MAL as set forth in the Swap Note (defined below). Except as provided in the First Amendment, the terms of the Loan Agreement remain in full force and effect. Pursuant to the terms of the Loan Agreement and First Amendment, on December 7, 2022, Zoned Arizona issued an Amended and Restated Promissory Note (the "Swap Note") to the Bank. The Swap Note has an original principal amount of $4,500,000, a 50% loan-to-value as determined by the bank-ordered appraisal completed on the Tempe Property. The Swap Note requires Zoned Arizona to pay monthly principal and interest payments to the Bank at an interest rate equal to the prime rate plus 0.75%. The Swap Note matures 10 years after its effective date and payments are calculated based on a 30-year amortization schedule. In connection with the Swap Note, Zoned Arizona received net proceeds of $4,315,404 which is net of fees of $184,596.

Zoned Arizona may prepay the outstanding principal under the Swap Note, at any time, subject to the provisions of the Swap Note.

Also as previously disclosed, on July 11, 2022 and pursuant to the terms of the Loan Agreement, the Company executed a Guaranty (the "Guaranty") in favor of the Bank, pursuant to which the Company agreed to guarantee all indebtedness of Zoned Arizona to the Bank arising under or in connection with the MAL or any of the loan documents. On December 7, 2022, the Company executed an Acknowledgement of Amendment and Reaffirmation of Guaranty (the "Reaffirmation") in favor of the Bank. The Reaffirmation reaffirms the Guaranty and provides the Company's consent to the First Amendment and Swap Note.

On December 7, 2022, Zoned Arizona and the Bank entered into an Interest Rate Swap Transaction Confirmation (the "Confirmation"). The Confirmation incorporates by reference the 2002 ISDA Master Agreement as published by the International Swaps and Derivatives Association, Inc. as if the parties to the Confirmation executed such agreement in such form. The Confirmation provides the terms and conditions governing the interest rate swap transaction afforded to Zoned Arizona, including a fixed interest rate of 7.65%. The Company recorded the swap at fair value in the consolidated balance sheets with changes in fair value recorded contemporaneously in earnings. The Company has entered into an interest rate swap to mitigate variability in interest payments on its variable-rate debt.

On December 31, 2022, principal and interest due on the East West Bank Swap Note amounted to $4,485,808 and $28,324, respectively.

Woodward Property Note Payable

On December 5, 2022, in connection with the acquisition of the Woodward Property located in Pleasant Ridge, Michigan, the Company entered into a land contact note in the amount of $1,425,000 (the "Woodward Property Note Payable"). The Woodward Property Note Payable bears interest at 9% per annum and is due in full as follows:

1) 60 monthly payments of principal and interest of $12,821 beginning on January 1, 2023, and
2) A balloon payment of $1,274,117 including the remaining principal and interest on or before December 1, 2028.

On December 31, 2022, principal and interest due on the Woodward Property Note Payable amounted to $1,425,000 and $10,687, respectively.

Our future operations are dependent on our ability to manage our current cash balance, on the collection of rental and advisory revenues and the attainment of new advisory clients. Our real estate properties are leased to Significant Tenants under triple-net leases for which terms vary. We monitor the credit of these tenants to stay abreast of any material changes in credit quality. We monitor tenant credit by (1) reviewing financial statements and related metrics and information that are publicly available or that are provided to us upon request, and (2) monitoring the timeliness of rent collections. As of December 31, 2022 and 2021, we had an asset concentration related to our Significant Tenant leases. As of December 31, 2022 and 2021, these Significant Tenants represented approximately 59.8% and 79.2% of total assets, respectively. If our Significant Tenants are prohibited from operating due to federal or state regulations or due to COVID-19, or cannot pay their rent, we may not have enough working capital to support our operations and we would have to seek out new tenants at rental rates per square less than our current rate per square foot.

We may secure additional financing to acquire and develop additional and existing properties. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow our business operations.

**Cash Flow**

For the Years Ended December 31, 2022 and 2021

Net cash flow provided by operating activities was $871,901 for the year ended December 31, 2022, as compared to net cash flow provided by operating activities of $489,257 for the year ended December 31, 2021, representing an increase of $382,644.

- Net cash flow provided by operating activities for the year ended December 31, 2022 primarily reflected a net loss of $574,355 adjusted for the add-back of non-cash items consisting of depreciation of $351,043, amortization expense of $9,450, accretion of stock-based stock option expense of $336,755, a loss on note receivable investments of $210,756 attributable to the recording of an allowance for uncollectible amounts, a loss from unconsolidated joint ventures of $16,261, and a loss from the changes in fair value from an interest rate swap of $90,237, offset by changes in operating assets and liabilities primarily consisting of an increase in contract liabilities of $298,565 attributable to the receipt of cash of a $300,000 assignment fee which was reflected in contract liabilities on the accompanying consolidated balance sheet and will be amortized into rental revenue on a straight-line basis over the remaining term of the lease, and an increase in security deposits payable of $147,600 attributable to the collection of additional security deposit on our Tempe property.

- Net cash flow provided by operating activities for the year ended December 31, 2021 primarily reflected a net loss of $165,819 adjusted for the add-back of non-cash items consisting of depreciation of $358,294, amortization expense of $28,350, stock-based compensation expense of $52,000, accretion of stock-based stock option expense of $56,180, a gain on sale of rental property of $(51,944), and a loss and impairment loss from unconsolidated joint ventures of $101,446, offset by changes in operating assets and liabilities primarily consisting of an increase in accounts receivable of $2,921, a decrease in prepaid expenses of $71,712, an increase in accounts payable of $11,244, an increase in accrued expenses of $16,278, and a decrease in deferred rent receivable of $8,987.

During the year ended December 31, 2022, net cash flow used in investing activities amounted to $2,009,213 as compared to net cash provided by investing activities of $3,348, a change of $2,012,561. During the year ended December 31, 2022, net cash used in investing activities was attributable to an increase in lease incentive receivables related to the disbursement of $500,000 to a Significant Tenant to be used for leasehold improvements, the purchase of rental property of $867,549 in connection with the acquisition of property in Pleasant Ridge, Michigan, the purchase of property and equipment of $3,764, an increase in escrow deposits of $590,000 in connection with the acquisition of additional property in Pleasant Ridge, Michigan which closed in February 2023, and cash used to invest in equity securities of $50,000. These uses of cash in investing activities were offset by proceeds from the sale of property and equipment of $2,100. During the year ended December 31, 2021, cash provided by investing activities was attributable to proceeds from the sale of rental property of $322,332, offset by cash used for an investment in a convertible note receivable of $100,000, cash used in the improvement of rental properties of $40,360, cash used for the purchase of property and equipment of $2,624, and cash used for investment in joint ventures of $176,000.

During the year ended December 31, 2022, net cash provided by financing activities amounted to $4,281,212 and consisted of net proceeds from notes payable of $4,315,404, offset by the repayment of notes payable of $14,192 and the repayment of notes payable – related party of $20,000. We did not have any cash flows from financing activities during the year ended December 31, 2021.

**Contractual Obligations and Off-Balance Sheet Arrangements**

***Contractual Obligations***

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of December 31, 2022 (dollars in thousands), and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual obligations:** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **5 + years** |
| Convertible notes | $ 2,000 | $ - | $ - | $ - | $ 2,000 |
| Interest on convertible notes | 880 | 150 | 240 | 240 | 250 |
| Notes payable | 5,911 | 63 | 145 | 172 | 5,531 |
| Total | $ 8,791 | $ 213 | $ 385 | $ 412 | $ 7,781 |

***Off-balance Sheet Arrangements***

Other than discussed below, we have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us. Our off-balance sheet arrangement includes the notional amount of our interest rate swaps which we use to hedge a portion of our exposure to interest rate fluctuations. Currently, our interest rate swap fixes the variable rate interest on our bank swap note payable. We intend to fund our interest rate swap payments utilizing cash flows from operations. As of December 31, 2022, the notional amount of our interest rate swaps was $4,500,000.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our audited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to income taxes, and the valuation of equity transactions. We base our estimates on historical experience and on various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the audited consolidated financial statements.

**Fair value of financial instruments**

The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, and other payables approximate their fair market value based on the short-term maturity of these instruments.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820"), requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

The guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Other than the interest rate swap, the Company did not identify any other assets or liabilities that are required to be presented on the balance sheets at fair value, on a recurring basis, in accordance with ASC Topic 820.

**Interest rate swap**

In connection with a bank loan executed in 2022, the Company entered into an interest rate swap agreement to management interest rate risk related to debt that accrues interest at variable rates The Company accounts for its interest rate swap agreement in accordance with the guidance related to derivatives and hedging activities. The Company is exposed to market risk from changes in interest rates. The Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. Interest payments receivable and payable under the terms of the interest rate swap agreement are accrued over the period to which the payment relates and the net difference is treated as an adjustment of interest expense related to the underlying liability. Because the variable interest rates used to calculate payments under the terms of the swap agreement are calculated using different benchmarks than those included in the Company's variable rate debt agreement, the swap agreement is not considered an effective cash flow hedge.

Accordingly, changes in the underlying market value of the remaining swap payments are recognized into income as an increase or decrease to other income (expense) each reporting period. In accordance with ASC 820, *Fair Value Measurements and Disclosures*, the Company believes values provided by its counterparty represent the fair value of its swap agreement. The Company believes that the quality of the counterparty to its swap agreement mitigates the counterparty credit risk.

The estimated fair value of the interest rate swap agreement is reflected as a derivative liability on the accompanying balance sheet with changes in the fair value reflected in interest expense in the accompanying statements of operations. The Company uses derivative financial instruments only to manage interest rate risks and not as investment vehicles.

Information regarding the interest rate swap is as follows:

| Description | Notional Amount | Interest Rate | Maturity | Fair Value of Liability on December 31, 2022 | Fair Value of Liability on December 31, 2021 |
|---|---|---|---|---|---|
| December 7, 2022 interest rate swap | $ 4,500,000 | 7.65% | December 10, 2032 | $ 90,237 | $ - |

Rental properties

Rental properties are carried at cost less accumulated depreciation and amortization. Betterments, major renovations and certain costs directly related to the improvement of rental properties are capitalized. Maintenance and repair expenses are charged to expense as incurred. Depreciation is recognized on a straight-line basis over estimated useful lives of the assets, which range from 5 to 39 years. Tenant improvements are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles, such as acquired above-market leases and acquired in-place leases) and acquired liabilities (such as acquired below-market leases) and allocate the purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known trends, and market/economic conditions.

Our properties 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 property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. If our estimates of the projected future cash flows, anticipated holding periods, or market conditions change, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results.

We have capitalized land, which is not subject to depreciation.

Lease accounting

The FASB's Accounting Standards Update ("ASU") 2016-02, "*Leases (Topic 842)"* sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to recognize a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases.

For leases entered into on or after the effective date, where the Company is the lessor, at the inception of the contract, the Company assesses whether the contract is a sales-type, direct financing or operating lease by reviewing the terms of the lease and determining if the lessee obtains control of the underlying asset implicitly or explicitly. If a change to a pre-existing lease occurs, the Company evaluates if the modification results in a separate new lease or a modified lease. A new lease results when a modification provides additional right of use. The new lease or modified lease is then reassessed to determine its classification based on the modified terms. As disclosed in Note 3, on January 1, 2019, the Chino Valley lease was modified to increase the monthly base rent from $35,000 to $40,000. On May 31, 2020, the Chino Valley lease was modified to decrease the monthly base rent from $40,000 to $32,800 and the Tempe lease was modified to increase the monthly base rent from $33,500 to $49,200. On August 23, 2021 and effective September 1, 2021, the Chino Valley lease was amended, and the monthly base rent was increased to $55,195 due to additional space of 27,312 square feet being leased to the lessee. On January 24, 2022 and effective on March 1, 2022, the Chino Valley lease was amended and the monthly base rent was increased to $87,581 due to additional space of 30,000 square feet being leased to the lessee, increasing the premises to a total of 97,312 square feet of operational space. In connection with this lease amendment, the Company paid $500,000 to the tenant as a tenant improvement allowance or lease incentive for investment into the premises, which was capitalized as a lease incentive receivable and is recognized on a straight-line basis over the remaining lease term as a reduction to the lease income. The increase in monthly rent was commensurate with the additional space being leased; therefore, this modification qualifies as a separate contract under ASC 842 which does not require lease classification reassessment.

The Company records revenues from rental properties for its operating leases where it is the lessor on a straight-line basis. Any revenue on the straight-line basis exceeding the monthly payment amount required on the operating lease is reflected as a deferred rent receivable. Effective May 31, 2020, the Company amended its leases for which it is the lessor on its Chino Valley, Tempe, Kingman and Green Valley properties. The amendments resulted in an abatement of rent for the months of June and July 2020. Additionally, in connection with an operating lease on the Company's Michigan property acquired in December 2022, the Company abated certain lease payments for the period from December 2022 to March 2023. These rent abatements resulted in an aggregate deferred rent receivable as of December 31, 2022 and 2021 of $204,079 and $164,770, respectively (see Note 3). Additionally, if the lease provides for tenant improvements, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance (including amounts that can be taken in the form of cash or a credit against the tenant's rent) that is funded is treated as a lease incentive receivable and amortized as a reduction of revenue over the lease term.

For contracts entered into on or after the effective date, where the Company is the lessee, at the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset. The Company allocates the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments. For leases where the Company is a lessee, primarily for the Company's administrative office lease, the Company analyzed if it would be required to record a lease liability and a right of use asset on its consolidated balance sheets at fair value upon adoption of ASU 2016-02.

Operating lease right of use asset represents the right to use the leased asset for the lease term and operating lease liability is recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, the Company used its incremental borrowing rate of 6% based on the information available at the adoption date or execution of a lease agreement in determining the present value of future payments. Lease expense for minimum lease payments is amortized on a straight-line basis over the lease term and is included in general and administrative expenses in the consolidated statements of operations.

Investment in joint ventures

We have equity investments in various privately held entities. We account for these investments either under the equity method or cost method of accounting depending on our ownership interest and level of influence. Investments accounted for under the equity method are recorded based upon the amount of our investment and adjusted each period for our share of the investee's income or loss. Investments are reviewed for changes in circumstance or the occurrence of events that suggest an other than temporary event where our investment may not be recoverable. We evaluate our investments in these entities for consolidation. We consider our percentage interest in the joint venture, evaluation of control and whether a variable interest entity exists when determining whether or not the investment qualifies for consolidation or if it should be accounted for as an unconsolidated investment under either the equity method of accounting. If an investment qualifies for the equity method of accounting, our investment is recorded initially at cost, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. The net income or loss of an unconsolidated investment is allocated to its investors in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. Differences, if any, between the carrying amount of our investment in the respective joint venture and our share of the underlying equity of such unconsolidated entity are amortized over the respective lives of the underlying assets as applicable. These items are reported as a single line item in the statements of operations as income or loss from investments in unconsolidated affiliated entities.

Revenue recognition

We follow ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures.

Rental income includes base rents that each tenant pays in accordance with the terms of its respective lease and is reported on a straight-line basis over the non-cancellable term of the lease, which includes the effects of rent abatements under the leases. The Company commences rental revenue recognition when the tenant takes possession of the leased space or controls the physical use of the leased space and the leased space is substantially ready for its intended use.

Currently, the Company's leases provide for payments with fixed monthly base rents over the term of the leases. The leases also require the tenant to remit estimated monthly payments to the Company for property taxes. These payments are recorded as rental income and the related property tax expense reflected separately on the statements of operations.

Revenues from advisory services is recognized when the Company performs services pursuant to its agreements with clients and collectability is reasonably assured.

Brokerage revenues primarily consists of real estate sales commissions and are recognized upon the successful completion of all required services have been performed which is when escrow closes. In accordance with the guidelines established for Reporting Revenue Gross as a Principal versus Net as an Agent in the ASC Topic 606, the Company records commission revenues and expenses on a gross basis. Of the criteria listed in ASC Topic 606, the Company is the primary obligor in the transaction, does not have inventory risk, performs all or part of the service, has credit risk, and has wide latitude in establishing the price of services rendered and discretion in selection of agents and determination of service specifications. Brokerage revenue that are payable upon payment of rent or other events beyond the Company's control are recognized upon the occurrence of such events.

Stock-based compensation

Stock-based compensation is accounted for based on the requirements of ASC 718 – *"Compensation –Stock Compensation*", which requires recognition in the financial statements of the cost of employee, director, and non-employee services received in exchange for an award of equity instruments over the period the employee, director, or non-employee is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee, director, and non-employee services received in exchange for an award based on the grant-date fair value of the award. The Company has elected to recognize forfeitures as they occur as permitted under ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*.

**Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, and a modified retrospective approach is required, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. In November of 2019, the FASB issued ASU 2019-10, which delayed the implementation of ASU 2016-13 to fiscal years beginning after December 15, 2022 for smaller reporting companies which applies to the Company. The Company is currently evaluating the impact of ASU 2016-13 on its future consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements and Consolidated Financial Statement Schedules appearing on pages F-1 to F-40 of this annual report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure controls and procedures

We maintain "disclosure controls and procedures," as that term is defined in Rule 13a-15(e), promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated our company's disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of December 31, 2022, our disclosure controls and procedures were not effective. The ineffectiveness of our disclosure controls and procedures was due to material weaknesses, which we identified in our report on internal control over financial reporting.

### Internal control over financial reporting

#### *Management's annual report on internal control over financial reporting*

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2022. Our management's evaluation of our internal control over financial reporting was based on the 2013 framework in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that as of December 31, 2022, our internal control over financial reporting was not effective.

The ineffectiveness of our disclosure controls and procedures was due to the following material weaknesses which we identified in our internal control over financial reporting: (1) the lack of multiples levels of management review on complex accounting and financial reporting issues, (2) we had not implemented adequate system and manual controls, and (3) a lack of adequate segregation of duties and necessary corporate accounting resources in our financial reporting process and accounting function as a result of our limited financial resources to support hiring of personnel and implementation of accounting systems. Until such time as we expand our staff to include additional accounting personnel and hire a full-time chief financial officer, it is likely we will continue to report material weaknesses in our internal control over financial reporting.

A material weakness is a deficiency or a combination of control deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

***Limitations on Effectiveness of Controls***

Our principal executive officer and principal financial officer does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Changes in internal control over financial reporting**

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

On January 21, 2022, pursuant to the power granted to the Board in the Company's articles of incorporation, as amended, and the Company's bylaws, the Board increased the size of the Board by two persons, to be a total of seven persons. Our Board of Directors currently has six members and there is one vacancy.

The following table sets forth the names, positions and ages of our directors and executive officers as of the date of this annual report on Form 10-K. All of the current directors' terms expire as of the Annual Meeting and will serve until their successors are duly elected and qualified.

Set forth below is certain information regarding our executive officers and directors.

| Name | Age | Position |
|---|---|---|
| Bryan McLaren | 35 | Chairman, Chief Executive Officer, Chief Financial Officer, and Treasurer |
| Berekk Blackwell | 33 | President and Chief Operating Officer |
| Daniel Gauthier | 30 | Chief Legal Officer, Chief Compliance officer, and Corporate Secretary |
| Art Friedman | 63 | Director |
| Alex McLaren, MD | 70 | Director |
| David G. Honaman | 71 | Director |
| Derek Overstreet, PhD. | 36 | Director |
| Jody Kane | 43 | Director |

Bryan McLaren is the son of Dr. Alex McLaren.

**Background Information about our Officers and Directors**

Biographical information concerning the directors and executive officers listed above is set forth below. The information presented includes information each individual has given us about all positions they hold and their principal occupation and business experience for the past five years. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills that led our board to conclude that he should serve as a director, we also believe that each of our directors has a reputation for integrity, honesty and adherence to high ethical standards. Each has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to our company and our board of directors.

**Bryan McLaren, MBA.** Mr. McLaren has served as Chairman and Chief Executive Officer of the Company since 2014 and as Chief Financial Officer of the Company since 2018. Mr. McLaren has a dedicated history of work in the sustainability industry and in business development. Prior to joining the Company, McLaren worked as a sustainable development expert for both large corporations such as Waste Management, Inc., and for institutions of higher education such as Northern Arizona University. Mr. McLaren has a Masters of Business Administration Degree with an emphasis on Sustainable Development, a Master's Degree in Sustainable Community Development, and an Executive Master's Degree in Sustainability Leadership. As Chief Executive Officer and Chief Financial Officer, Mr. McLaren is able to provide our Board with valuable insight regarding the Company's operations, its management team and associates as a result of his day-to-day involvement with the Company.

**Berekk Blackwell.** Mr. Blackwell has served as our Chief Operating Officer since July 1, 2021, and as our President since July 1, 2022. Prior to his appointment to these positions and since September 2020, Mr. Blackwell served as our Director of Business Development. From December 2018 until June 2021, Mr. Blackwell also served as President of Daily Jam Holdings LLC. From January 2016 to December 2018, he served as Vice President of Due North Holdings LLC. Prior to joining the Company, Mr. Blackwell developed domestic and international markets for Kahala Brands, a global franchise organization with more than 3,000 retail locations in over a dozen countries. He also led emerging brand and portfolio operations for several private equity groups investing in the restaurant franchise space. Mr. Blackwell earned his B.A. in Finance from Fort Lewis College. Mr. Blackwell and his spouse filed for bankruptcy in the U.S. Bankruptcy Court, District of Arizona on November 13, 2020.

**Daniel Gauthier, JD.** Mr. Gauthier has served as our Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary since July 1, 2022. Mr. Gauthier has an extensive background in a range of real estate transactions, including acquisition, development, financing, leasing, and syndication, and business transactions, including mergers and acquisitions, joint ventures, corporate governance, general counsel and regulated cannabis. Prior to joining the Company, Mr. Gauthier's private practice included representation of a broad range of real estate developers, private and public homebuilders, businesses of all sizes, banks and lending institutions, and more. Gauthier holds a Juris Doctor degree from the Sandra Day O'Connor College of Law, Arizona State University, where he was a Pedrick Scholar and an articles editor of Jurimetrics: The Journal of Law, Science, and Technology. Mr. Gauthier is the founder and former president of the American Constitution Society, ASU Chapter and the former president of the ASU Disability Law Project. Mr. Gauthier also holds a bachelor's degree in psychology from the University of Arizona.

**Art Friedman.** Mr. Friedman, who has served as a director since 2014, is the Owner/Principal of Triple J Management Services, which specializes in consulting and professional services for the alcoholic beverage industry. Mr. Friedman was most recently President and CEO of Gold Coast Beverage Distributors, a position he held for the last 10 years of his 23 years with the company. During his tenure as President/CEO, Gold Coast more than tripled sales revenue and increased EBITDA by more than five-fold. Over the same period, Mr. Friedman led significant market share gains through organic growth as well as consolidating wholesaler acquisitions. Mr. Friedman began his career with General Foods Corporation, now part of Kraft Foods. He has served on the distributor advisory councils of Diageo-Guinness, Heineken USA, InBev and Miller-Coors. Mr. Friedman graduation Cum Laude with a Bachelor of Science in Business Management from the University of Florida, Warrington School of Business. We believe that Mr. Friedman's background as an advisor in the area of business management and his experience in operating, growing and advising companies provides us with the requisite skills and qualifications to serve on our board. Mr. Friedman's service as a director at the Company since 2014 together with his business background, provides business, governance, organizational and strategic planning expertise to our Board and makes him a valued member of the Audit Committee, the Compensation Committee, which he chairs, and the Strategic Committee.

**Alex McLaren, MD.** Dr. McLaren, who has served as a director since 2014, is an accomplished and well-known orthopedic surgeon, professor and researcher. Alex was most recently Vice President of Clinical Outcomes for Shared Clarity, LLC from 2016-2019. From 2006 until 2016, Dr. McLaren served as program director of the Banner University Medical Center-Phoenix (Ariz.) Residency Program in Orthopaedic Surgery. He is the former director of Orthopaedic Education for Banner Good Samaritan Medical Center in Phoenix. He was also the program director of the Phoenix Orthopedic Residency Program at Maricopa County Medical Center between 1998 and 2000. He has been in private orthopedic surgery practice twice during his career in Phoenix. After graduating from Queen's University School of Medicine, Kingston, Ontario, Canada in 1977, Dr. McLaren completed an orthopedic residency at the University of Western Ontario in 1982 and a fellowship at the University of Southern California in 1983. Dr. McLaren is first and foremost an orthopedic educator and researcher whose career has included teaching, research and administration of educational programs. His clinical interest includes orthopedic infections, revision arthroplasty and complex musculoskeletal trauma. With hundreds of publications, numerous grand-funded projects, and medical association postings, Dr. McLaren has established a prized reputation in his field. We believe that Dr. McLaren's services provided to numerous organizations provides us with the requisite skills and qualifications to serve on our board and as a member of the Compensation Committee and the Strategic Committee, which he chairs.

**David G. Honaman.** Mr. Honaman, who has served as a director since 2016, is the Principal and CFO of Advanced Benefit Solutions, Inc. (d/b/a 44 North), an insurance agent and consultant, since 2010. From 2008 to 2009, Mr. Honaman served as an independent financial consultant. Prior to that time, Mr. Honaman spent seven years at Wilcox Associates, Inc., a civil engineering firm, most recently as CFO and Treasurer. Mr. Honaman also served in several capacities at Wolohan Lumber Co. for over 20 years, including as Vice President of Merchandising, Senior Vice President of Finance and CFO. Mr. Honaman began his career as a CPA on the audit staff at Ernst & Young LLP. Mr. Honaman brings to the Board extensive experience dealing with and overseeing the implementation of accounting principles and financial reporting rules and regulations. With his substantial business and management experience for five years as a certified public accountant and an auditor at Ernst & Young LLP serving numerous public companies in various business sectors, including insurance agencies, Mr. Honaman provides relevant expertise on accounting, investment and financial matters. His service as a chief financial officer at Advanced Benefit Solutions, Inc. (d/b/a 44 North), Wilcox Associates, Inc. and Wolohan Lumber Co., together with his accounting and management experience, make him a valued member of our Board, Compensation Committee and Strategic Committee, and an effective Non-Executive Chair of the Audit Committee. Mr. Honaman meets the definition of an "audit committee financial expert" as established by the SEC.

**Derek Overstreet, PhD.** Dr. Overstreet, who has served as a director since 2017, is the co-founder and CEO of Sonoran Biosciences, Inc. Sonoran Biosciences, Inc. develops new sustained-release pharmaceutical formulations for applications including orthopedic infection and postoperative pain management. Dr. Overstreet holds a Bachelor's degree in Biomedical Engineering from Case Western Reserve University and a Doctoral degree in Biomedical Engineering from Arizona State University. His expertise is in the development of novel polymer-based materials for medical applications including drug delivery. He has authored 11 peer-reviewed scientific publications and two patent applications. We believe that Dr. Overstreet's experience navigating the scientific field of pharmaceuticals and drug delivery can be instrumental in assisting the strategic development and implementation of the Zoned Properties' business model. Prior to 2012, Dr. Overstreet was a post-doctoral fellow at the Laboratory for Nanomedicine at the Barrow Neurological Institute.

**Jody Kane.** Mr. Kane, who has served as a director since January 21, 2022, is the co-founder and Managing Partner of Diamond Bridge Capital, an investment firm, where he has managed a portfolio of public and private investments primarily focused on the small cap sector since 2008. In addition, since May 2021, Mr. Kane has served as an advisor to Harbor Access LLC, a U.S. and Canadian based investor relations firm. In this role, he advises companies on corporate strategy and investor awareness. In addition, Mr. Kane owns and manages a real estate portfolio in the New York and Connecticut regions. From August 2014 to July 2020, he served as a research analyst for Wooster Capital Management, LLC, a hedge fund. Mr. Kane has a long history in the investment management business, previously working at the multi-billion dollar Schonfeld Group hedge fund, serving as a published analyst at Sidoti & Co. and working for the billion dollar Michael Steinhardt family office. Mr. Kane was one of the first investors in GrowGeneration Corp. (Nasdaq: GRWG) and served on its board of directors from May 2014 to January 2018. He graduated from Troy University, with a B.S. in Finance.

**Involvement in Certain Legal Proceedings**

Except as noted above, our directors and executive officers have not been involved in any of the following events during the past 10 years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

4. being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

5. being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease- and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

**Code of Ethics**

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those employees responsible for financial reporting. The code of business conduct and ethics is available on our corporate website, www.zonedproperties.com. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act to the extent required by applicable rules and exchange requirements.

**Director Independence**

Four of our six board members are independent. The Board has determined that each of Messrs. Friedman, Honaman, Kane, and Dr. Overstreet is an independent director pursuant to the NASDAQ listing standards. Under the NASDAQ rules, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with us (directly, or as a partner, stockholder or officer of an organization that has a relationship with us).

In assessing the independence of our directors, the Board considers all of the business relationships between the Company and our directors and their respective affiliated companies. This review is based primarily on the Company's review of its own records and on responses of the directors to questions in a questionnaire regarding employment, business, familial, compensation and other relationships with the Company and our management. Where relationships exist, the Board determines whether the relationship between the Company and the directors or the directors' affiliated companies impairs the directors' independence. After consideration of the directors' relationships with the Company, the Board has affirmatively determined that none of the individuals serving as non-employee directors during the fiscal year ended December 31, 2022 had a material relationship with us and that each of such non-employee directors is independent.

Bryan McLaren was not considered an independent director during his service on the Board during the fiscal year ended December 31, 2022 because of his employment as our CEO, President, Treasurer, Secretary and Chairman of the Board. Alex McLaren, MD was not considered an independent director during his service on the Board during the fiscal year ended December 31, 2022 because Bryan McLaren is the son of Dr. McLaren.

**Board of Directors and Board Committees**

All of our directors and director nominees are encouraged to attend the annual meetings of our stockholders.

The Board of Directors held two meetings during the fiscal year ended December 31, 2022. Each of our current directors attended 100% of the aggregate number of the meetings of the Board and meetings of the committees on which he or she served.

Our Board currently has four committees: the Audit Committee, the Strategic Committee, the Compensation Committee, and the Nominating and Governance Committee. As of March 28, 2023, the members and Chairs of our standing Board committees were:

| | Audit | Compensation | Strategic | Nom. & Gov |
|---|---|---|---|---|
| **Independent Directors** | | | | |
| Art Friedman | X | Chair | X | X |
| David G. Honaman | Chair | X | X | X |
| Derek Overstreet | X | X | X | X |
| Jody Kane | X | X | X | Chair |
| | | | | |
| **Non-Independent Director** | | | | |
| Alex McLaren, MD | | X | Chair | X |

**Audit Committee**

All Audit Committee members are "independent" under the NASDAQ listing standards and SEC rules and regulations. Our Board of Directors has determined that one of the members of the Audit Committee, Mr. Honaman, meets the definition of an "audit committee financial expert" as established by the SEC, and that Mr. Friedman and Dr. Overstreet, the two other members of the Audit Committee, meet the definition of "financially literate" as established by the SEC. The Audit Committee provides assistance to the Board in fulfilling its oversight responsibilities relating to the quality and integrity of the financial reports of the Company. The Audit Committee has the sole authority to appoint, review and discharge our independent accountants, and has established procedures for the receipt, retention, response to and treatment of complaints regarding accounting, internal controls and audit matters. In addition, the Audit Committee is responsible for:

- reviewing the scope, results, timing and costs of the audit with our independent accountants and reviewing the results of the annual audit examination and any accompanying management letters;
- assessing the independence of the outside accountants on an annual basis, including receipt and review of a written report from the independent accountants regarding their independence consistent with the independence standards of the board;
- reviewing and approving the services provided by the independent accountants;
- overseeing the internal audit function; and
- reviewing our significant accounting policies, financial results and earnings releases, and the adequacy of our internal controls.

The responsibilities of the Audit Committee are more fully described in the Audit Committee's charter.

The Audit Committee held four meetings during the fiscal year ended December 31, 2022.

**Compensation Committee**

All Compensation Committee members other than Dr. McLaren are "independent" under applicable NASDAQ listing standards. The Compensation Committee assists the Board in fulfilling its oversight responsibilities relating to executive compensation, employee compensation and benefit programs and plans, and leadership development and succession planning. In addition, the Compensation Committee is responsible for:

- reviewing the performance of our Chief Executive Officer;
- determining the compensation and benefits for our Chief Executive Officer and other executive officers;
- establishing our compensation policies and practices;
- administering our incentive compensation and stock plans (except for the issuance of securities to non-employee directors for services which is administered by the Board); and
- approving the adoption of material changes to or the termination of our benefit plans.

The Compensation Committee reviews and discusses with management the disclosures regarding executive compensation to be included in our annual proxy statement. The responsibilities of the Compensation Committee are more fully described in the Compensation Committee's charter.

The Compensation Committee held two meetings during the fiscal year ended December 31, 2022.

**Strategic Committee**

All Strategic Committee members other than Dr. McLaren are "independent" under the applicable NASDAQ listing standards. The Strategic Committee assists the Board in developing and maintaining the Company's business strategies and any related matters required by federal securities laws. In addition, the Strategic Committee is responsible for:

- Review the Company's current business strategies.
- Explore new business strategies for the Company.
- Report business strategy analyses to the Board.

The Strategic Committee held two meetings during the fiscal year ended December 31, 2022.

During the fourth quarter of the fiscal year ended December 31, 2022, there were no material changes to the procedures by which stockholders may recommend nominees to the Board.

**Nominating and Governance Committee**

All Nominating and Governance members (except for Dr. McLaren) are "independent" under applicable NASDAQ listing standards. The Nominating and Governance Committee assists the Board in fulfilling its oversight responsibilities relating to Company and Board policies, and in relation to the nomination and election of Board Members. In addition, the Nominating and Governance Committee is responsible for:

- establishing and reviewing the Nominating and Governance Committee Charter; and
- establishing and reviewing various Company policies, such as the Company's Insider Trading Policy and Code of Ethics.

The responsibilities of the Nominating and Governance Committee are more fully described in the Nominating and Governance Committee's charter.

The Nominating and Governance Committee held two meetings during the fiscal year ended December 31, 2022.

**Officer and Director Indemnification Agreements**

The Company entered into an Indemnification Agreement (each, an "Indemnification Agreement" and collectively, the "Indemnification Agreements") with each of the Company's officers and directors. The Indemnification Agreements supplement the indemnification provisions provided in the Company's articles of incorporation and bylaws and any resolutions adopted pursuant thereto and generally provide that the Company shall indemnify the indemnitees to the fullest extent permitted by applicable law, subject to certain exceptions, against expenses, judgments, fines and other amounts actually and reasonably incurred in connection with their service as a director or officer and also provide for rights to advancement of expenses and contribution.

**ITEM 11. EXECUTIVE COMPENSATION**

**Summary Compensation**

The following 2022 Summary Compensation Table (the "SCT") summarizes all compensation recorded by us for the years ended December 31, 2022 and 2021 for our "named executive officers" as such term is defined in Item 402(m)(2) of Regulation S-K (each, an "NEO" and collectively, the "NEOs").

**2022 Summary Compensation Table**

| Name and principal position | Year | Salary $ | Bonus $ | Stock Awards $ | Option Awards $ [3] | Non-Equity Incentive Plan Compensation $ | Nonqualified Deferred Compensation Earnings $ | All Other Compensation $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| Bryan McLaren, Chief Executive Officer and Chief Financial Officer | 2022 | 246,758 | - | - | - | - | - | - | 246,758 |
| | 2021 | 225,225 | - | - | - | - | - | - | 225,225 |
| Berekk Blackwell, President and Chief Operating Officer [1] | 2022 | 148,269 | 22,450 | - | 55,334 | - | - | - | 226,053 |
| | 2021 | 68,833 | - | - | 48,677 | - | - | 48,845 | 166,355 |
| Daniel Gauthier Chief Legal Officer and Chief Compliance Officer [2] | 2022 | 83,077 | - | - | 82,420 | - | - | 15,011 | 180,508 |
| | 2021 | - | - | - | - | - | - | - | - |

(1) Mr. Blackwell was appointed as our Chief Operating Officer on July 1, 2021. On January 1, 2021, we granted Mr. Blackwell an option, pursuant to our 2016 Equity Compensation Plan, to purchase 125,000 of the Company's common stock at an exercise price of $1.00 per share. The grant date of the Option was January 1, 2021 and the Options expire on January 1, 2031. The options vest as to 25,000 of such shares on January 1, 2021, 10,000 options vest on January 1, 2022 and for each year thereafter through January 1, 2031. In connection with these options, the Company valued these options at a fair value of $48,677 and will record stock-based compensation expense over the vesting period. On January 21, 2022, we granted Mr. Blackwell a stock option pursuant to our 2016 Equity Compensation Plan to purchase 75,000 of the Company's common stock at an exercise price of $1.00 per share. The grant date of the stock option was January 21, 2022 and the options expire on January 21, 2032. The option vests as to (i) 15,000 of such shares on January 21, 2022; and (ii) as to 7,500 of such shares on January 21, 2023 and each year thereafter through January 21, 2030. The fair value of this option grant was $55,334 and will record stock-based compensation expense over the vesting period. Amounts reflected under "All Other Compensation" related to consulting fees paid to Mr. Blackwell prior to him becoming our Chief Operating Officer.

(2) On July 1, 2022, we granted Mr. Gauthier a stock option, pursuant to our 2016 Equity Compensation Plan, to purchase 125,000 of the Company's common stock at an exercise price of $1.00 per share. The grant date of the stock option was July 1, 2022 and the option expires on July 1, 2032. The option vests as to (i) 25,000 of such shares on July 1, 2022; and (ii) as to 10,000 of such shares on July 1, 2023 and each year thereafter through July 1, 2032. We valued this stock option at a fair value of $82,420 and will record stock-based compensation expense over the vesting period.

(3) As required by SEC rules, the amounts in this column reflect the grant date or modification date fair value as required by FASB ASC Topic 718. A discussion of the assumptions and methodologies used to calculate these amounts, are contained in the notes to our financial statements under "Note 11 – Shareholders' Equity".

**Narrative Disclosure to Summary Compensation Table**

Except as otherwise described below, there are no compensatory plans or arrangements, including payments to be received from the Company with respect to any executive officer, that would result in payments to such person because of his or her resignation, retirement or other termination of employment with the Company, or our subsidiaries, any change in control, or a change in the person's responsibilities following a change in control of the Company.

*McLaren Employment Agreement & Golden Parachute Agreement*

On May 23, 2018, we entered into an employment agreement with Mr. McLaren (the "2018 Employment Agreement"). Pursuant to the terms of the 2018 Employment Agreement, the Company agreed to continue to pay Mr. McLaren a base annual salary of $214,500, and to award Mr. McLaren with an annual and/or quarterly bonus payable in either cash and/or equity of no less than 2.5% of the Company's net income for the associated period.

The 2018 Employment Agreement has a term of 10 years. The term and Mr. McLaren's employment will terminate (a "Termination") in any of the following circumstances:

(i) immediately, if Mr. McLaren dies;

(ii) immediately, if Mr. McLaren receives benefits under the long-term disability insurance coverage then

(iii) provided by the Company or, if no such insurance is in effect, upon Mr. McLaren's disability;

(iv) on the expiration date, as the same may be extended by the parties by written amendment to the 2018 Employment Agreement prior to the occasion thereof;

(v) at the option of the Company for Cause (as hereinafter defined) upon the Company's provision of written notice to Mr. McLaren of the basis for such Termination;

(vi) at the option of the Company, without Cause;

(vii) by Mr. McLaren at any time with Good Reason (as hereinafter defined), upon 30 days' prior written notice to the Company delivered not later than within 90 days of the existence of the condition therefor; or

(viii) by Mr. McLaren at any time without Good Reason, upon not less than three months' prior written notice to the Company.

In the event of a Termination for any reason or for no reason whatsoever, or upon the expiration date of the 2018 Employment Agreement, whichever comes first, all rights and obligations under the 2018 Employment Agreement shall cease (i) as to the Company, except for the Company's obligations for the payment of applicable severance benefits thereunder, and for indemnification thereunder, and (ii) as to Mr. McLaren, except for his obligation under the restrictive covenants in the 2018 Employment Agreement.

The Company and Mr. McLaren also entered into a Golden Parachute Agreement (the "Golden Parachute Agreement") on May 23, 2018. No benefits shall be payable under the Golden Parachute Agreement unless there shall have been a change in control of the Company, as set forth below. For purposes of the Golden Parachute Agreement, a "change in control of the Company" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is in fact required to comply with that regulation, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities; or (B) during any period of two consecutive years (not including any period prior to the execution of the Golden Parachute Agreement), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (A) or (D) of this paragraph) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority; (C) the Company enters into an agreement, the consummation of which would result in the occurrence of a change in control of the Company; or (D) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to it continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) of more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

For purposes of the Golden Parachute Agreement, "Cause" means termination upon (a) the willful and continued failure to substantially perform duties with the Company after a written demand for substantial performance is delivered by the Board, which demand specifically identifies the manner in which the Board believes that duties have not substantially been performed, or (b) the willful engaging in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise.

For purposes of the Golden Parachute Agreement, "Good Reason" means, without express written consent, the occurrence after a change in control of the Company of any of the following circumstances unless, such circumstances are fully corrected prior to the date of Termination specified in the notice of Termination:

(a) a material diminution in Mr. McLaren's authority, duties or responsibility from those in effect immediately prior to the change in control of the Company;

(b) a material diminution in Mr. McLaren's base compensation;

(c) a material change in the geographic location at which Mr. McLaren performs his duties;

(d) a material diminution in the authority, duties, or responsibilities of the supervisor to whom Mr. McLaren is required to report, including a requirement that McLaren report to a corporate officer or employee instead of reporting directly to the Board;

(e) a material diminution in the budget over which Mr. McLaren retains authority;

(f) a material breach under any agreement with the Company to continue in effect any bonus to which Mr. McLaren was entitled, or any compensation plan in which Mr. McLaren participates immediately prior to the change in control of the Company which is material to Mr. McLaren's total compensation;

(g) a material breach under any agreement with the Company to provide Mr. McLaren benefits substantially similar to those enjoyed by Mr. McLaren under any of the Company's life insurance, medical, health and accident, or disability plans in which he was participating at the time of the change in control of the Company, the failure to continue to provide Mr. McLaren with a Company automobile or allowance in lieu of it, if Mr. McLaren was provided with such an automobile or allowance in lieu of it at the time of the change of control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Mr. McLaren of any material fringe benefit enjoyed by Mr. McLaren at the time of the change in control of the Company, or the failure by the Company to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the change in control of the Company;

Following a change in control of the Company, upon termination of Mr. McLaren's employment or during a period of disability, Mr. McLaren will be entitled to the following benefits:

(i) During any period that Mr. McLaren fails to perform his full-time duties with the Company as a result of incapacity due to physical or mental illness, Mr. McLaren will continue to receive his base salary at the rate in effect at the commencement of any such period, together with all amounts payable to Mr. McLaren under any compensation plan of the Company during such period, until the Golden Parachute Agreement is terminated.

(ii) If Mr. McLaren's employment is terminated by the Company for Cause or by Mr. McLaren other than for Good Reason, disability, death or retirement, the Company will pay Mr. McLaren his full base salary through the date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which Mr. McLaren is entitled under any compensation plan of the Company at the time such payments are due.

(iii) If employment by the Company shall be terminated (a) by the Company other than for Cause, death or disability or (b) by Mr. McLaren for Good Reason, Mr. McLaren will be entitled to benefits provided below:

a. The Company will pay Mr. McLaren his full base salary through the date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which Mr. McLaren is entitled under any compensation plan of the Company.

b. In lieu of any further salary payments to Mr. McLaren for periods subsequent to the date of Termination, the Company will pay as severance pay to Mr. McLaren a lump sum severance payment (together with the payments provided in clauses (c) and (d) below) equal to five times the sum of Mr. McLaren's annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the notice of Termination given in respect of them.

c. The Company will pay to Mr. McLaren any deferred compensation allocated or credited to Mr. McLaren or his account as of the date of Termination.

d. In lieu of shares of common stock of the Company issuable upon exercise of outstanding options, if any, granted to Mr. McLaren under the Company's stock option plans (which options shall be cancelled upon the making of the payment referred to below), Mr. McLaren will receive an amount in cash equal to the product of (i) the excess of the closing price of the Company's common stock as reported on or nearest the date of Termination (or, if not so reported, on the basis of the average of the lowest asked and highest bid prices on or nearest the date of Termination), over the per share exercise price of each option held by Mr. McLaren (whether or not then fully exercisable) plus the amount of any applicable cash appreciation rights, times (ii) the number of the Company's common stock covered by each such option.

e. The Company will also pay to Mr. McLaren all legal fees and expenses incurred by Mr. McLaren as a result of such Termination.

(iv) In the event that Mr. McLaren is a "disqualified individual" within the meaning of Section 280G of the Code, the parties expressly agree that the payments described herein and all other payments to Mr. McLaren under any other agreements or arrangements with any persons which constitute "parachute payments" within the meaning of Section 280G of the Code are collectively subject to an overall maximum limit. Such maximum limit shall be $1 less than the aggregate amount which would otherwise cause any such payments to be considered a "parachute payment" within the meaning of Section 280G of the Code, as determined by the Company.

*Blackwell Employment Agreement*

On July 26, 2022, the Company entered into an employment agreement, effective July 1, 2022, with Mr. Blackwell (the "Blackwell Employment Agreement"). Pursuant to the terms of the Blackwell Employment Agreement, the Company agreed to pay Mr. Blackwell a base annual salary of $150,000 for his services as President and Chief Operating Officer. The Company may also award Mr. Blackwell discretionary cash and/or equity bonuses.

The Blackwell Employment Agreement has a term of one year, expiring on July 1, 2023. During the initial term, neither party may terminate the Blackwell Employment Agreement except for Cause (as hereinafter defined). For purposes of the Blackwell Employment Agreement, Cause, with respect to Mr. Blackwell, means:

(i) a material violation of any material written rule or policy of the Company applicable to Mr. Blackwell and which Mr. Blackwell fails to correct within 10 days after notice;

(ii) misconduct by Mr. Blackwell to the material and demonstrable detriment of the Company;

(iii) Mr. Blackwell's conviction of, or pleading guilty to, a felony; or

(iv) Mr. Blackwell's material failure to perform his obligations and fulfill the covenants and agreements in the Blackwell Employment Agreement, after notice and failure to cure, as provided in the Blackwell Employment Agreement.

With respect to the Company, "Cause" means the Company's material failure to perform the Company's obligations and fulfill the covenants and agreements in the Blackwell Employment Agreement, after notice and failure to cure, as provided in the Blackwell Employment Agreement.

The Blackwell Employment Agreement will continue to be in full force and effect after July 1, 2023, except that either party may terminate the Blackwell Employment Agreement for any reason upon 30 days' written notice.

The Blackwell Employment Agreement contains representations, warranties and covenants customary for an agreement of this type.

*Gauthier Employment Agreement*

On May 27, 2022, the Company entered into the Employment Agreement, dated as of June 1, 2022, by and between the Company and Mr. Gauthier (the "Gauthier Employment Agreement"). Pursuant to the terms of the Gauthier Employment Agreement, the Company agreed to pay Mr. Gauthier a base annual salary of $135,000 for his services. The Company may also award Mr. Gauthier with cash and/or equity bonuses, determined at the discretion of the Company's executive management.

The Gauthier Employment Agreement has a term of one year, unless sooner terminated or extended pursuant to the terms of the Gauthier Employment Agreement.

During the initial one-year term, the Gauthier Employment Agreement may only be terminated for Cause. For purposes of the Gauthier Employment Agreement, "Cause," with respect to Mr. Gauthier, means:

(i) a material violation of any material written rule or policy of the Company applicable to Mr. Gauthier and which Mr. Gauthier fails to correct within 10 days after Mr. Gauthier receives written notice from the Company;

(ii) misconduct by Mr. Gauthier to the material and demonstrable detriment of the Company;

(iii) Mr. Gauthier's conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony; or

(iv) Mr. Gauthier's material failure to perform his obligations and fulfill his covenants and agreements as described in the Gauthier Employment Agreement, after written notice from the Company and failure to cure such material failure within 10 days following receipt of such notice.

After expiration of the initial one-year term, the Gauthier Employment Agreement will continue to be in full force and effect, except that either party may terminate the Gauthier Employment Agreement for any reason upon 30 days' written notice to the other party.

**Outstanding Equity Awards at 2022 Fiscal Year-End**

The following table sets forth information as options outstanding on December 31, 2022.

**OUTSTANDING EQUITY AWARDS AT 2022 FISCAL YEAR-END**

| | OPTION AWARDS | | | | | STOCK AWARDS | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised options (#) Exercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock that have not Vested (#) | Market Value of Shares or Units of Stock that Have not Vested ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or other Rights that have not Vested ($) |
| Bryan McLaren | 200,000 | 50,000(a) | — | 1.00 | 12/26/2026 | — | — | — | — |
| Berekk Blackwell | 35,000 | 90,000(b) | — | 1.00 | 1/1/2031 | — | — | — | — |
| Berekk Blackwell | 15,000 | 60,000(c) | — | 1.00 | 1/21/2032 | — | — | — | — |
| Daniel Gauthier | 25,000 | 100,000(d) | — | 1.00 | 7/1/2032 | — | — | — | — |

(a) Vest annually at 25,000 options per year through December 2024.
(b) Vest annually at 10,000 options per year through January 1, 2031.
(c) Vest annually at 7,500 options per year through January 21, 2030.
(d) Vest annually at 10,000 options per year through July 1, 2032.

**Pay Versus Performance (PVP)**

In accordance with the SEC's disclosure requirements regarding pay versus performance ("PVP"), this section presents the SEC-defined "Compensation Actually Paid," or "CAP". Also required by the SEC, this section compares CAP to various measures used to gauge performance at Company.

***Pay versus Performance Table - Compensation Definitions***

Salary, Bonus, Stock Awards, and All Other Compensation are each calculated in the same manner for purposes of both CAP and SCT values. The primary difference between the calculation of CAP and SCT total compensation is "Stock Awards."

| | SCT Total | CAP |
|---|---|---|
| Stock Awards | Grant date fair value of stock and option awards granted during the year | Year over year change in the fair value of stock and option awards that are unvested as of the end of the year, or vested or were forfeited during the year |

***2022 Pay Versus Performance Table***

In accordance with the SEC's new PVP rules, the following table sets forth information concerning the compensation of our NEOs for each of the fiscal years ended December 31, 2022 and 2021, and our financial performance for each such fiscal year:

| Year (1) | Summary Compensation Table Total for PEO | Compensation Actually Paid to PEO (2)(3) | Average Summary Compensation Table Total for Non-PEO NEOs | Average Compensation Actually Paid to Non-PEO NEOs | Value of Initial Fixed $100 Investment Based On Total Shareholder Return | Net Loss |
|---|---|---|---|---|---|---|
| 2022 | $ 246,758 | $ 228,999 | $ 203,280 | $ 194,180 | $ 174.78 | $ (574,355) |
| 2021 | $ 225,225 | $ 250,283 | $ 166,355 | $ 196,358 | $ 180.65 | $ (165,819) |

(1) The principal executive officer ("PEO") in 2022 and 2021 is Bryan McLaren, our Chief Executive Officer and Chief Financial Officer. The non-PEO NEOs in the 2022 reporting year are Berekk Blackwell and Dan Gauthier. The non-PEO NEO in the 2021 reporting year was Berekk Blackwell.

(2) The CAP was calculated beginning with the PEO's SCT total. The following amounts were deducted from and added to the applicable SCT total compensation:

| | SCT Total (A) | Stock Awards Deducted from SCT (B) | Stock Awards Added to CAP (C) | Stock Option Awards Deducted from SCT (D) | Stock Option Awards Added to CAP (E) | Total CAP A - (B + D) + (C + E) |
|---|---|---|---|---|---|---|
| *PEO* | | | | | | |
| 2022 | $ 246,758 | $ - | $ - | $ - | $ (17,759) | $ 228,999 |
| 2021 | $ 225,225 | $ - | $ - | $ - | $ 25,058 | $ 250,283 |
| *Average Non-PEO NEO* | | | | | | |
| 2022 | $ 203,280 | $ - | $ - | $ (137,754) | $ 128,654 | $ 194,180 |
| 2021 | $ 166,355 | $ - | $ - | $ (48,677) | $ 78,680 | $ 196,358 |

(3) The fair value of stock options reported for CAP purposes in columns (C) and (E) above was estimated using a Black-Scholes option pricing model for the purposes of this PVP calculation in accordance with the SEC rules. This model uses both historical data and current market data to estimate the fair value of options and requires several assumptions. The assumptions used in estimating fair value for awards granted during 2022 and 2021 were as follows:

| Grant Year | 2022 | 2021 |
|---|---|---|
| Volatility | 106.66 – 112.26% | 108.73 – 117.03 |
| Expected life (in years) | 4 – 10 years | 5 – 10 years |
| Expected dividend yield | 0.00% | 0.00% |
| Risk-free rate | 1.75 – 3.94% | 0.93 – 1.26% |

**Securities Authorized for Issuance under Equity Compensation Plans**

On August 9, 2016, our Board of Directors authorized the 2016 Plan and reserved 10,000,000 shares of common stock for issuance thereunder. The 2016 Plan was approved by shareholders on November 21, 2016. The 2016 Plan's purpose is to encourage ownership in the Company by employees, officers, directors and consultants whose long-term service the Company considers essential to its continued progress and, thereby, encourage recipients to act in the stockholders' interest and share in the Company's success. The 2016 Plan authorizes the grant of awards in the form of options intended to qualify as incentive stock options under Section 422 of the Code, options that do not qualify (non-statutory stock options) and grants of restricted shares of common stock. Restricted shares granted pursuant to the 2016 Plan are amortized to expense over the three-year vesting period. Options vest and expire over a period not to exceed seven years. If any share of common stock underlying a stock option that has been granted ceases to be subject to a stock option, or if any shares of common stock that are subject to any other stock-based award granted are forfeited or terminate, such shares shall again be available for distribution in connection with future grants and awards under the 2016 Plan. As of December 31, 2022, 1,102,500 stock option awards have been granted under the 2016 Plan. On December 31, 2022, 8,897,500 shares are available for future issuance.

The Company also continues to maintain its 2014 Plan, pursuant to which 1,250,000 previously awarded stock options are outstanding. The 2014 Plan has been superseded by the 2016 Plan. Accordingly, no additional shares subject to the existing 2014 Plan will be issued and the 1,250,000 shares issuable upon exercise of stock options will be issued pursuant to the 2014 Plan, if exercised. As of December 31, 2022, options to purchase 1,250,000 shares of common stock are outstanding pursuant to the 2014 Plan.

The table below sets forth information as of December 31, 2022.

| 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 (excluding securities reflected in column (a)) |
|---|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders | 1,102,500 | $ 0.77 | 8,897,500 |
| Equity compensation plans not approved by security holders | 1,250,000 | $ 1.00 | 0 |
| Total | 2,352,500 | $ 0.95 | 9,675,000 |

***Director Compensation***

The following table sets forth compensation paid, earned or awarded during 2022 to each of our directors, other than Bryan McLaren, whose compensation is described above in the "2022 Summary Compensation Table".

**2022 Director Compensation**

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) (1) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|
| Art Friedman | - | 69,035 | - | 69,035 |
| David G. Honaman | - | 69,035 | - | 69,035 |
| Alex McLaren, MD | - | 69,035 | - | 69,035 |
| Derek Overstreet | - | 69,035 | - | 69,035 |
| Jody Kane | - | 69,035 | - | 69,035 |

(1) As required by SEC rules, the amounts in this column reflect the grant date or modification date fair value as required by FASB ASC Topic 718. A discussion of the assumptions and methodologies used to calculate these amounts is contained in the notes to our financial statements under "Shareholders' Deficit". In January 2022, each director listed above received 105,000 stock options to purchase 105,000 shares of restricted stock at $0.78 per share.

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

The following table sets forth certain information regarding beneficial ownership of our common stock and preferred stock as of March 28, 2023, by:

- Each director and each of our Named Executive Officers,
- All executive officers and directors as a group, and
- Each person known by us to be the beneficial owner of more than 5% of our outstanding common stock.

As of March 28, 2023, there were 12,201,548 shares of our common stock outstanding and 2,000,000 shares of Preferred Stock outstanding.

The number of shares of common stock beneficially owned by each person is determined under the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which such person has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after the date hereof, through the exercise of any stock option, warrant or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares.

**Common Stock**

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| ***Named Executive Officers and Directors:*** | | |
| Bryan McLaren | 250,000(1) | 2.0% |
| Berekk Blackwell | 60,879(2) | * |
| Daniel Gauthier | 34,750(8) | * |
| Art Friedman | 179,725(3) | 1.2% |
| Alex McLaren, MD | 1,711,667(4) | 14.0% |
| David G. Honaman | 150,000(5) | 1.2% |
| Derek Overstreet, PhD | 130,000(6) | 1.1% |
| Jody Kane | 101,521(7) | * |
| All executive officers and directors as a group (eight persons) | 2,618,542(9) | 20.6% |
| | | |
| ***Other 5% Stockholders:*** | | |
| Greg Johnston<br>c/o Zoned Properties, Inc.<br>8360 E. Raintree Drive #230<br>Scottsdale, AZ 85260 | 1,262,500 | 10.4% |
| | | |
| Melinda Jay Johnston<br>c/o Zoned Properties, Inc.<br>8360 E. Raintree Drive #230<br>Scottsdale, AZ 85260 | 1,250,000 | 10.3% |
| | | |
| Joseph Bartonek<br>c/o Zoned Properties, Inc.<br>8360 E. Raintree Drive #230<br>Scottsdale, AZ 85260 | 756,250 | 6.2% |

* Less than 1%.
(1) Includes 200,000 vested stock options.
(2) Consists of 50,000 vested stock options.
(3) Includes 35,000 vested stock options.
(4) Includes 1,501,667 shares held by McLaren Family LLLP. Dr. McLaren is the general partner of McLaren Family LLLP and has voting and dispositive power over such shares and includes 50,000 vested stock options.
(5) Includes 50,000 vested stock options.
(6) Includes 45,000 vested stock options.
(7) Includes 35,000 vested stock options and 13,175 shares owned by Diamond Bridge Capital, LP, which is 50% owned by Mr. Kane. Mr. Kane's shares voting and dispositive power over these shares with the other 50% owner of Diamond Bridge Capital, LP.
(8) Includes 25,000 vested stock options.
(9) Includes 490,000 vested stock options.

**Preferred Stock**

| Name and Address of Beneficial Owner | Shares of Preferred Stock Beneficially Owned | Percent of Class Beneficially Owned | Percent of Voting Power [1] |
|---|---|---|---|
| Greg Johnston<br>c/o Zoned Properties, Inc.<br>8360 E. Raintree Drive #230<br>Scottsdale, AZ 85260 | 1,000,000 | 50.0% | 45.5%[2] |
| Alex McLaren<br>c/o Zoned Properties, Inc.<br>8360 E. Raintree Drive #230<br>Scottsdale, AZ 85260 | 1,000,000[3] | 50.0% | 45.8%[4] |

(1) As a result of the multiple votes accorded to holders of the preferred stock (50 votes per share), Mr. Johnston and Dr. McLaren have the ability to control the outcome of all matters submitted to a vote of stockholders, including the election of directors. The percent of voting power in the table gives effect to the holder's beneficial ownership of common stock and preferred stock.
(2) Combined with Mr. Johnston's common stockholdings, Mr. Johnston holds 45.5% of the voting power of the Company.
(3) Shares are held by McLaren Family LLLP. Dr. McLaren is the general partner of McLaren Family LLLP and has voting and dispositive power over such shares.
(4) Combined with Dr. McLaren's common stockholdings, Dr. McLaren holds 45.8% of the voting power of the Company.

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

We do not have a written policy for the review, approval or ratification of transactions with related parties or conflicted transactions. When such transactions arise, they are referred to the audit committee for consideration for referral to our board of directors for its consideration.

***Convertible Notes Payable***

On January 9, 2017, the Company issued a convertible debenture (the "McLaren Debenture") in the principal amount of $20,000 in favor of Bryan McLaren, the Company's Chief Executive Officer, President, Chief Financial Officer, and a member of the Company's Board of Directors, in exchange for cash from Mr. McLaren of $20,000. The McLaren Debenture accrued interest at the rate of 6% per annum payable quarterly by the 1st of each quarter and matured on January 9, 2022. Pursuant to the terms of the McLaren Debenture, Mr. McLaren was entitled to convert all or a portion of the principal balance and all accrued and unpaid interest due under this McLaren Debenture into shares of the Company's common stock at a conversion price of $5.00 per share. On January 7, 2022, the Company repaid this debt and all accrued and unpaid interest due.

As of December 31, 2021, the principal balance due under the McLaren Debenture was $20,000.

As of December 31, 2022 and 2021, accrued interest payable due under the McLaren Debenture was $0 and $5,400, respectively, which is included in accrued expenses – related party on the accompanying consolidated balance sheets.

For the years ended December 31, 2022 and 2021, interest expense – related party amounted to $600 and $1,200, respectively.

**Director Independence**

Four of our six board members are independent. The Board has determined that each of Messrs. Friedman, Honaman, Kane and Dr. Overstreet is an independent director pursuant to the NASDAQ listing standards. Under the NASDAQ rules, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with us (directly, or as a partner, stockholder or officer of an organization that has a relationship with us).

In assessing the independence of our directors, the Board considers all of the business relationships between the Company and our directors and their respective affiliated companies. This review is based primarily on the Company's review of its own records and on responses of the directors to questions in a questionnaire regarding employment, business, familial, compensation and other relationships with the Company and our management. Where relationships exist, the Board determines whether the relationship between the Company and the directors or the directors' affiliated companies impairs the directors' independence. After consideration of the directors' relationships with the Company, the Board has affirmatively determined that none of the individuals serving as non-employee directors during the fiscal year ended December 31, 2022 had a material relationship with us and that each of such non-employee directors is independent.

Bryan McLaren was not considered an independent director during his service on the Board during the fiscal year ended December 31, 2022 because of his employment as our Chairman of the Board, CEO, CFO, and Treasurer. Alex McLaren, MD was not considered an independent director during his service on the Board during the fiscal year ended December 31, 2022 because Dr. McLaren is the father of Bryan .

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the fees that were billed or that will be billed to our company for the years ended December 31, 2022 and 2021 for professional services rendered by D. Brooks and Associates CPAs, P.A.:

| **Fees** | **2022** | **2021** |
|---|---|---|
| Audit Fees | $ 49,500 | $ 46,500 |
| Audit-Related Fees | 0 | 0 |
| Tax Fees | 0 | 0 |
| Other Fees | 0 | 0 |
| **Total Fees** | $ 49,500 | $ 46,500 |

**Audit Fees**

Audit fees were for professional services rendered for the audits of our financial statements and for review of our quarterly financial statements.

**Audit-Related Fees**

During 2022 and 2021, our independent registered public accountants did not provide any assurance and related services that are reasonably related to the performance of the audit or review or our financial statements that are not reported under the caption "Audit Fees" above.

**Tax Fees**

As our independent registered public accountants did not provide any services to us for tax compliance, tax advice and tax planning during 2022 and 2021, no tax fees were billed or paid during those fiscal years.

**All Other Fees**

Our independent registered public accountants did not provide any products and services not disclosed in the table above during 2022 and 2021. As a result, there were no other fees billed or paid during 2022 and 2021.

**Pre-Approval Policies and Procedures**

Our Audit Committee pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by our Audit Committee before the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by our independent registered public accounting firm and believe that the provision of services for activities unrelated to the audit is compatible with maintaining their respective independence.

## PART IV

### ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

Exhibits required by Item 601 of Regulation S-K:

### EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|---|---|
| 3.1 | Articles of Incorporation, as amended, of Zoned Properties, Inc. (incorporated by reference to exhibit to Registration Statement on Form S-1 (File No. 333-208226) filed by the Company on November 25, 2015). |
| 3.2 | Bylaws of Zoned Properties, Inc. (incorporated by reference to exhibit to Registration Statement on Form S-1 (File No. 333-208226) filed by the Company on November 25, 2015). |
| 4.1* | Description of registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. |
| 10.1+ | Board Member Agreement dated as of October 1, 2014 by and between the registrant and Alex McLaren (incorporated by reference to exhibit to Registration Statement on Form S-1 (File No. 333-208226) filed by the Company on November 25, 2015). |
| 10.2+ | Board Member Agreement dated as of October 1, 2014 by and between the registrant and Art Friedman (incorporated by reference to exhibit to Registration Statement on Form S-1 (File No. 333-208226) filed by the Company on November 25, 2015). |
| 10.3+ | Board Member Agreement dated as of September 26, 2016 by and between the registrant and David G. Honaman (incorporated by reference to exhibit to Annual Report on Form 10-K filed with the SEC by the Company on March 27, 2017). |
| 10.4+ | Board Member Agreement effective April 1, 2017 by and between Zoned Properties, Inc. and Derek Overstreet (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on April 4, 2017). |
| 10.5 | Stock Option Grant Notice and Agreement between registrant and Newbridge Financial, Inc. (incorporated by reference to exhibit to Registration Statement on Form S-1 (File No. 333-208226) filed by the Company on November 25, 2015). |
| 10.6 | Deed of Trust dated March 7, 2015 in favor of Investment Property Exchange Services, Inc. covering Tempe, AZ property (incorporated by reference to exhibit to Registration Statement on Form S-1 (File No. 333-208226) filed by the Company on November 25, 2015). |
| 10.7+ | Stock Option Grant Notice and Agreement dated December 20, 2015 between Zoned Properties, Inc. and Bryan McLaren (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on January 7, 2016). |
| 10.8 | Second Amendment to Commercial Lease by and between Zoned Properties, Inc., C3C3 Group, LLC and Alan Abrams (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on August 25, 2016). |
| 10.9 | Third Amendment to Commercial Lease by and between Chino Valley Properties, LLC, C3C3 Group, LLC and Alan Abrams (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on October 13, 2016). |
| 10.10 | Convertible Debenture dated January 9, 2017 Issued by Zoned Properties, Inc. in Favor of Alan Abrams (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on January 12, 2017). |
| 10.11 | Convertible Debenture dated January 9, 2017 Issued by Zoned Properties, Inc. in Favor of Bryan McLaren (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on January 12, 2017). |
| 10.12 | Fourth Amendment to Commercial Lease by and between Chino Valley Properties, LLC, C3C3 Group, LLC and Alan Abrams (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on April 4, 2017). |
| 10.13 | Third Amendment to Commercial Lease by and between Zoned Properties, Inc., C3C3 Group, LLC and Alan Abrams, and Zoned Arizona Properties, LLC, dated as of October 1, 2017 (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on October 3, 2017). |
| 10.14 | Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 by and between Chino Valley Properties, LLC and Broken Arrow Herbal Center, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on May 3, 2018). |
| 10.15 | Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 by and between Green Valley Group, LLC and Broken Arrow Herbal Center, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on May 3, 2018). |
| 10.16 | Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 by and between Zoned Arizona Properties, LLC and CJK, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on May 3, 2018). |
| 10.17 | Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 by and between Kingman Property Group, LLC and CJK, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on May 3, 2018). |
| 10.18+ | Employment Agreement by and between the registrant and Bryan McLaren dated May 23, 2018 (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on May 24, 2018). |
| 10.19+ | Golden Parachute Agreement by and between the registrant and Bryan McLaren dated May 23, 2018 (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on May 24, 2018). |

| | |
|---|---|
| 10.20 | Amendment to Convertible Debenture entered into as of January 2, 2019 by and between Zoned Properties, Inc. and Alan Abrams (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on January 3, 2019). |
| 10.21 | First Amendment to Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated January 1, 2019 by and between Chino Valley Properties, LLC and Broken Arrow Herbal Center, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on January 3, 2019). |
| 10.22 | Convertible Debenture issued March 19, 2020 from KCB Jade Holdings, LLC (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on March 23, 2020). |
| 10.23 | First Amendment to Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated as of May 31, 2020, by and between Zoned Arizona Properties, LLC and CJK, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on June 4, 2020). |
| 10.24 | Second Amendment to Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated as of May 31, 2020, by and between Chino Valley Properties, LLC and Broken Arrow Herbal Center, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on June 4, 2020). |
| 10.25 | First Amendment to Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated as of May 31, 2020, by and between Green Valley Properties, LLC and Broken Arrow Herbal Center, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on June 4, 2020). |
| 10.26 | First Amendment to Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated as of May 31, 2020, by and between Kingman Property Group, LLC and CJK, Inc. (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on June 4, 2020). |
| 10.27 | Amended and Restated Convertible Debenture issued February 19, 2021 from KCB Jade Holdings, LLC (incorporated by reference to exhibit to Current Report on Form 8-K filed with the SEC by the Company on February 19, 2021). |
| 10.28 | Vacant Land/Lot Purchase Contract between AZ2CAL Enterprises, LLC (as Buyer) and Gilbert Property Management, LLC (as Seller) dated April 15, 2021 (Incorporated by reference to exhibit 99.1 to Current Report on Form 8-K filed with the SEC by the Company on June 9, 2021). |
| 10.29 | Amendment to Vacant Land/Lot Purchase Contract between AZ2CAL Enterprises, LLC (as Buyer) and Gilbert Property Management, LLC (as Seller) dated May 17, 2021 (Incorporated by reference to exhibit 99.2 to Current Report on Form 8-K filed with the SEC by the Company on June 9, 2021). |
| 10.30 | Second Amended and Restated Convertible Debenture issued by KCB Jade Holdings, LLC in favor of the registrant (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on August 4, 2021). |
| 10.31 | Third Amendment to the Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018, between Chino Valley and CJK, Inc. ("CJK"), as amended, entered into on August 23, 2021 and effective September 1, 2021 (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on August 24, 2021). |
| 10.32 | Form of Indemnification Agreement (Incorporated by reference to exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on August 24, 2021). |
| 10.33 | Fourth Amendment to Regulated Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018, between Chino Valley and CJK, Inc., as amended, entered into on January 24, 2022 (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on January 25, 2022). |
| 10.34 | Second Amendment to the Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated November 30, 2022 between Zoned Arizona Properties, LLC and VSM AZ LLC (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on December 2, 2022). |
| 10.35 | Guaranty of Payment and Performance, dated November 30, 2022, by GDL Inc. in favor of Zoned Arizona Properties, LLC (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on December 2, 2022). |
| 10.36 | Second Amendment to the Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated November 30, 2022 between Kingman Property Group, LLC and CJK, Inc. (Incorporated by reference to exhibit 10.3 to Current Report on Form 8-K filed with the SEC by the Company on December 2, 2022). |
| 10.37 | Option Agreement, dated as of December 1, 2022, by and between ZP RE MI Woodward, LLC and FL MI RE 22, LLC. (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on December 5, 2022). |
| 10.38 | Master Agreement for Purchase and Sale, dated as of November 29, 2022, by and among ZP RE MI Woodward, LLC, FL MI RE 22, LLC, Thomas Nafso and Ammar Kattoula (Incorporated by reference to exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on December 5, 2022). |
| 10.39 | Licensed Cannabis Facility Absolute Net Lease Agreement, dated as of November 29, 2022, by and between ZP RE MI Woodward, LLC and Rapid Fish 2 LLC. (Incorporated by reference to exhibit 10.3 to Current Report on Form 8-K filed with the SEC by the Company on December 5, 2022). |
| 10.40 | Real Estate Repurchase Agreement, dated as of November 29, 2022, by and among ZP RE MI Woodward, LLC, FL MI RE 22, LLC, Thomas Nafso and Ammar Kattoula (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed with the SEC by the Company on December 5, 2022). |
| 10.41 | Loan Agreement, dated as of July 11, 2022, by and between Zoned Arizona Properties, LLC and East West Bank. (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on July 12, 2022). |

| | |
|---|---|
| 10.42 | Variable Rate Note, dated as of July 11, 2022, issued by Zoned Arizona Properties, LLC in favor of East West Bank. (Incorporated by reference to exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on July 12, 2022). |
| 10.43 | Guaranty, dated as of July 11, 2022, executed by Zoned Arizona Properties, LLC in favor of East West Bank. (Incorporated by reference to exhibit 10.3 to Current Report on Form 8-K filed with the SEC by the Company on July 12, 2022). |
| 10.44+ | Employment Agreement, entered into on July 26, 2022 and effective as of July 1, 2022, by and between the registrant and Berekk Blackwell (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on July 27, 2022). |
| 10.45 | Purchase and Sale Agreement and Joint Escrow Instructions, dated October 5, 2022, by and between ZP RE Holdings, LLC a wholly owned subsidiary of the registrant, and Neal Bradley Starr (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on October 12, 2022). |
| 10.46+ | Employment Agreement, entered into on May 27, 2022 and dated as of June 1, 2022, by and between the registrant and Daniel Gauthier (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on May 31, 2022). |
| 10.47+ | Stock Option Agreement, entered into on May 27, 2022 and dated as of July 1, 2022, by and between the registrant and Mr. Gauthier (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on May 31, 2022). |
| 10.48 | First Amendment Loan Agreement, dated as of December 7, 2022, by and between Zoned Arizona Properties, LLC and East West Bank (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on December 9, 2022). |
| 10.49 | Amended and Restated Promissory Note, dated as of December 7, 2022, issued by Zoned Arizona Properties, LLC in favor of East West Bank (Incorporated by reference to exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on December 9, 2022). |
| 10.50 | Acknowledgement of Amendment and Reaffirmation of Guaranty, dated as of December 7, 2022, executed by Zoned Arizona Properties, LLC in favor of East West Bank (Incorporated by reference to exhibit 10.3 to Current Report on Form 8-K filed with the SEC by the Company on December 9, 2022). |
| 10.51 | Interest Rate Swap Transaction Confirmation, dated as of December 7, 2022, by and between Zoned Arizona Properties, LLC and East West Bank (Incorporated by reference to exhibit 10.4 to Current Report on Form 8-K filed with the SEC by the Company on December 9, 2022). |
| 10.52 | Assignment and Assumption Agreement dated as of December 2, 2022, by and between FL MI RE 22, LLC and ZP RE MI Woodward, LLC. (Incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed with the SEC by the Company on March 2, 2023). |
| 10.53 | Land Contract, dated as of November 30, 2022, by and between The Thomas A. Pearlman Revocable Trust U/A/D 6/13/2005 and FL MI RE 22, LLC. (Incorporated by reference to exhibit 10.2 to Current Report on Form 8-K filed with the SEC by the Company on March 2, 2023). |
| 10.54 | Land Contract, dated as of February 24, 2023, by and between Gangnier Investments LLC and ZP RE MI Woodward, LLC. (Incorporated by reference to exhibit 10.3 to Current Report on Form 8-K filed with the SEC by the Company on March 2, 2023). |
| 21.1* | List of Subsidiaries. |
| 23.1* | Consent of Independent Registered Public Accounting Firm – D, Brooks and Associates CPA's P.A. * |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended. |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended. |
| 32.1** | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | INLINE XBRL INSTANCE DOCUMENT |
| 101.SCH* | INLINE XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT |
| 101.CAL* | INLINE XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT |
| 101.DEF* | INLINE XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT |
| 101.LAB* | INLINE XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT |
| 101.PRE* | INLINE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

\+ Management contract or compensatory plan or arrangement.
* Filed herewith
** Furnished herewith

**ITEM 16. 10-K SUMMARY**

As permitted, the registrant has elected not to supply a summary of information required by Form 10-K.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Zoned Properties, Inc.**

Date: March 28, 2023

By: /s/ Bryan McLaren
Bryan McLaren
Chief Executive Officer and
Chief Financial Officer

## POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Bryan McLaren as attorney-in-fact with full power of substitution to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report on Form 10-K, which amendments may make such changes in the report as the attorney-in-fact acting deems appropriate and to file any such amendment to the annual report on Form 10-K with the Securities and Exchange Commission. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Bryan McLaren<br>Bryan McLaren | Chairman, Chief Executive Officer, Chief Financial Officer, And Treasurer<br>(principal executive officer, principal financial officer and principal accounting officer) | March 28, 2023 |
| /s/ Derek Overstreet<br>Derek Overstreet | Director | March 28, 2023 |
| /s/ Art Friedman<br>Art Friedman | Director | March 28, 2023 |
| /s/ Alex McLaren<br>Alex McLaren | Director | March 28, 2023 |
| /s/ David G. Honaman<br>David G. Honaman | Director | March 28, 2023 |
| /s/ Jody Kame<br>Jody Kane | Director | March 28, 2023 |

**ZONED PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS**
**YEARS ENDED DECEMBER 31, 2022 and 2021**

**ZONED PROPERTIES, INC. AND SUBSIDIARIES**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**
**DECEMBER 31, 2022 and 2021**

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Zoned Properties, Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Zoned Properties, Inc. (the Company) as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2022 and 2021, and related notes (collectively referred to as the consolidated financial statements)

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 the results of its operations and its cash flows for the years ended December 31, 2022 and 2021 in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

**Critical Audit Matters**

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

D. Brooks and Associates CPAs, P.A.

We have served as the Company's auditor since 2018.
Palm Beach Gardens, Florida
March 28, 2023

4440 PGA Blvd, Suite 104 ■ Palm Beach Gardens, Florida 33410 ■ Main Office: 561.429.6225 ■ Fax: 561.282.3444

dbrookscpa.com

**ZONED PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| ASSETS | | |
| Cash | $ 4,335,840 | $ 1,191,940 |
| Accounts receivable | 138,825 | 7,909 |
| Deferred rent receivable | 204,079 | 164,770 |
| Lease incentive receivable | 477,064 | - |
| Rental properties, net | 8,388,136 | 6,441,465 |
| Prepaid expenses and other assets | 59,129 | 32,350 |
| Escrow deposits | 590,000 | - |
| Convertible note receivable | - | 200,000 |
| Property and equipment, net | 11,828 | 13,918 |
| Right of use asset, net | 65,381 | - |
| Intangible asset, net | - | 9,450 |
| Investment in unconsolidated joint ventures | 58,293 | 74,554 |
| Investment in equity securities | 50,000 | - |
| Security deposits | 2,272 | 1,100 |
| Total Assets | $ 14,380,847 | $ 8,137,456 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Convertible note payable | $ 2,000,000 | $ 2,000,000 |
| Convertible note payable - related party | - | 20,000 |
| Notes payable, net | 5,727,750 | - |
| Accounts payable | 107,371 | 11,244 |
| Accrued expenses | 188,535 | 108,364 |
| Lease liability | 65,941 | - |
| Accrued interest - related party | - | 5,400 |
| Contract liabilities | 303,315 | 4,750 |
| Derivative liability - interest rate swap, at fair value | 90,237 | - |
| Security deposits payable | 219,400 | 71,800 |
| Total Liabilities | 8,702,549 | 2,221,558 |
| Commitments and Contingencies (Note 11) | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $0.001 par value, 5,000,000 shares authorized; 2,000,000 shares issued and outstanding at December 31, 2022 and 2021 ($1.00 per share liquidation preference or $2,000,000) | 2,000 | 2,000 |
| Common stock: $0.001 par value, 100,000,000 shares authorized; 12,201,548 shares issued and outstanding at December 31, 2022 and 2021 | 12,202 | 12,202 |
| Additional paid-in capital | 21,337,318 | 21,000,563 |
| Accumulated deficit | (15,673,222) | (15,098,867) |
| Total Stockholders' Equity | 5,678,298 | 5,915,898 |
| Total Liabilities and Stockholders' Equity | $ 14,380,847 | $ 8,137,456 |

See accompanying notes to consolidated financial statements.

**ZONED PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the Year Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| REVENUES: | | |
| Property investment portfolio revenues: | | |
| Rental revenues | $ 1,795,719 | $ 1,261,059 |
| Real estate services revenues: | | |
| Advisory revenues | 244,750 | 146,031 |
| Brokerage revenues | 619,621 | 413,395 |
| Total real estate services revenues | 864,371 | 559,426 |
| Total revenues | 2,660,090 | 1,820,485 |
| OPERATING EXPENSES: | | |
| Compensation and benefits | 1,232,414 | 488,607 |
| Professional fees | 352,643 | 397,877 |
| Brokerage fees | 431,029 | 265,208 |
| General and administrative expenses | 275,862 | 201,625 |
| Depreciation and amortization | 360,493 | 386,643 |
| Real estate taxes | 116,912 | 87,769 |
| Gain on sale of property and equipment | (312) | (51,944) |
| Total operating expenses, net | 2,769,041 | 1,775,785 |
| (LOSS) INCOME FROM OPERATIONS | (108,951) | 44,700 |
| OTHER (EXPENSES) INCOME: | | |
| Interest expenses | (160,550) | (120,000) |
| Interest expenses - related party | (600) | (1,200) |
| Interest income | 13,000 | 12,127 |
| Change in fair value of interest rate swap | (90,237) | - |
| Loss on note receivable investment | (210,756) | - |
| Impairment loss from unconsolidated joint ventures | - | (73,970) |
| Loss from unconsolidated joint ventures | (16,261) | (27,476) |
| Total other expenses, net | (465,404) | (210,519) |
| LOSS BEFORE INCOME TAXES | (574,355) | (165,819) |
| PROVISION FOR INCOME TAXES | - | - |
| NET LOSS | $ (574,355) | $ (165,819) |
| NET LOSS PER COMMON SHARE: | | |
| Basic and diluted | $ (0.05) | $ (0.01) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | |
| Basic and diluted | 12,201,548 | 12,175,623 |

See accompanying notes to consolidated financial statements.

**ZONED PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | Preferred Stock | | Common Stock | | Additional Paid-in | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Equity |
| Balance, December 31, 2020 | 2,000,000 | $ 2,000 | 12,011,548 | $ 12,012 | $20,854,773 | $ (14,933,048) | $ 5,935,737 |
| Common stock issued for services | - | - | 130,000 | 130 | 51,870 | - | 52,000 |
| Common stock issued for intangible asset | - | - | 60,000 | 60 | 37,740 | - | 37,800 |
| Accretion of stock-based compensation related to stock options issued | - | - | - | - | 56,180 | - | 56,180 |
| Net loss | - | - | - | - | - | (165,819) | (165,819) |
| Balance, December 31, 2021 | 2,000,000 | 2,000 | 12,201,548 | 12,202 | 21,000,563 | (15,098,867) | 5,915,898 |
| Accretion of stock-based compensation related to stock options issued | - | - | - | - | 336,755 | - | 336,755 |
| Net loss | - | - | - | - | - | (574,355) | (574,355) |
| Balance, December 31, 2022 | 2,000,000 | $ 2,000 | 12,201,548 | $ 12,202 | $21,337,318 | $ (15,673,222) | $ 5,678,298 |

See accompanying notes to consolidated financial statements.

**ZONED PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the Year Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (574,355) | $ (165,819) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation expense | 351,043 | 358,294 |
| Amortization expense | 9,450 | 28,350 |
| Amortization of debt discount | 1,538 | - |
| Stock-based compensation | - | 52,000 |
| Stock option expense | 336,755 | 56,180 |
| Loss on note receivable investment | 210,756 | - |
| Lease costs | 560 | - |
| Impairment loss from unconsolidated joint ventures | - | 73,970 |
| Loss from unconsolidated joint ventures | 16,261 | 27,476 |
| Gain on sale of rental property and equipment | (311) | (51,944) |
| Change in fair value of interest rate swap | 90,237 | - |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (130,916) | (2,921) |
| Deferred rent receivable | (39,309) | 8,987 |
| Lease incentive receivable | 22,936 | - |
| Prepaid expenses and other assets | (37,535) | 71,712 |
| Security deposit | (2,272) | - |
| Accounts payable | 96,127 | 11,244 |
| Accrued expenses | 80,171 | 16,278 |
| Accrued expenses - related parties | (5,400) | 1,200 |
| Contract liabilities | 298,565 | 1,500 |
| Security deposits payable | 147,600 | 2,750 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 871,901 | 489,257 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of convertible note receivable | - | (100,000) |
| Lease incentive provided to tenant | (500,000) | - |
| Purchases of rental properties and improvements | (867,549) | (40,360) |
| Purchases of property and equipment | (3,764) | (2,624) |
| Net proceeds from sale of rental property | - | 322,332 |
| Increase in escrow deposits | (590,000) | - |
| Proceeds from sale of property and equipment | 2,100 | - |
| Investment in joint ventures and equity securities | (50,000) | (176,000) |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | (2,009,213) | 3,348 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | 4,500,000 | - |
| Payment of deferred financing fees | (184,596) | |
| Repayment of notes payable | (14,192) | - |
| Repayment of note payable - related party | (20,000) | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 4,281,212 | - |
| NET INCREASE IN CASH | 3,143,900 | 492,605 |
| CASH, beginning of year | 1,191,940 | 699,335 |
| CASH, end of year | $ 4,335,840 | $ 1,191,940 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | $ 127,538 | $ 120,000 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Common stock issued for intangible asset | $ - | $ 37,800 |
| Increase in right of use asset and lease liability | $ 90,710 | $ - |
| Acquisition of rental properties financed through note payable | $ 1,425,000 | $ - |

See accompanying notes to consolidated financial statements.

## NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Zoned Properties, Inc. ("Zoned Properties" or the "Company"), was incorporated in the State of Nevada on August 25, 2003. In October 2013, the Company changed its name to Zoned Properties, Inc. and in April 2014, the Company shifted its business model to address commercial real estate in the regulated cannabis industry. The Company is a real estate development firm for emerging and highly regulated industries, including legalized cannabis. The Company is redefining the approach to commercial real estate investment through its integrated growth services. Headquartered in Scottsdale, Arizona, Zoned Properties has developed a full spectrum of integrated growth services to support its real estate development model; the Company's Property Technology, Advisory Services, Commercial Brokerage, and Investment Portfolio collectively cross-pollinate within the model to drive project value associated with complex real estate projects. With national experience and a team of experts devoted to the emerging cannabis industry, Zoned Properties is addressing the specific needs of a modern market in highly regulated industries. Zoned Properties is an accredited member of the Better Business Bureau, the U.S. Green Building Council, and the Forbes Business Council. The Company does not grow, harvest, sell or distribute cannabis or any substances regulated under United States law such as the Controlled Substance Act of 1970, as amended (the "CSA").

The Company has the following wholly owned subsidiaries:

- Chino Valley Properties, LLC ("Chino Valley") was organized in the State of Arizona on April 15, 2014.
- Kingman Property Group, LLC ("Kingman") was organized in the State of Arizona on April 15, 2014.
- Green Valley Group, LLC ("Green Valley") organized in the State of Arizona on April 15, 2014.
- Zoned Arizona Properties, LLC ("Zoned Arizona") was organized in the State of Arizona on June 2, 2017.
- Zoned Advisory Services, LLC ("Zoned Advisory") was organized in the State of Arizona on July 27, 2018.
- Zoned Properties Brokerage, LLC ("Arizona Brokerage") was organized in the State of Arizona on March 17, 2021.
- ZP Data Platform 1, LLC ("ZP Data 1") was organized in the State of Arizona on April 14, 2021.
- ZP Data Platform 2, LLC ("ZP Data 2") was organized in the State of Arizona on June 21, 2022.
- ZP RE Holdings, LLC ("ZPRE Holdings") was organized in the State of Arizona on September 20, 2022.
- ZP RE AZ Stone, LLC ("ZP Stone") was organized in the State of Arizona on October 19, 2022.
- ZP Brokerage MS, LLC ("Mississippi Brokerage") was organized in the State of Mississippi on October 4, 2022.
- ZP Brokerage FL, LLC ("Florida Brokerage") was organized in the State of Florida on October 20, 2022.
- ZP Brokerage AL, LLC ("Alabama Brokerage") was organized in the State of Alabama on October 20, 2022.
- ZP RE MI Woodward, LLC ("ZP Woodward") was organized in the State of Michigan on November 22, 2022
- ZP Brokerage MO, LLC ("Missouri Brokerage") was organized in the State of Missouri on November 30, 2022.

The Company also maintains a 50% equity interest in two joint ventures (see Note 7).

During 2022, the Company has closed the following wholly owned subsidiaries:

- Gilbert Property Management, LLC ("Gilbert") was organized in the State of Arizona on February 10, 2014. This subsidiary was dissolved on July 5, 2022.
- Zoned Colorado Properties, LLC ("Zoned Colorado") was organized in the State of Colorado on September 17, 2015. This subsidiary was dissolved on July 22, 2022.
- Zoned Oregon Properties, LLC ("Zoned Oregon") was organized in the State of Oregon on June 16, 2015. This subsidiary was dissolved on December 13, 2022.
- Zoned Illinois Properties, LLC was organized in the State of Illinois on July 15, 2015. This subsidiary was dissolved on November 4, 2022.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

### Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates for the years ended December 31, 2022 and 2021 include the collectability of accounts and note receivable, the useful life of rental properties and property and equipment, assumptions used in assessing impairment of long-term assets including rental property and investment in joint ventures, valuation allowances for deferred tax assets, the fair value of derivative liability related to interest rate swap liability, and the fair value of non-cash equity transactions, including options and stock-based compensation.

### Risks and uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure. The Company conducts a significant portion of its business in Arizona. Additionally, the Company's tenants operate in the legalized and regulated cannabis industry. Consequently, any significant economic downturn in the Arizona market or any changes in the federal government's enforcement of current federal laws or changes in state laws could potentially have a negative effect on the Company's business, results of operations and financial condition. Additionally, substantially all of the Company's real estate properties are leased under triple-net leases to tenants (each, a "Significant Tenant" and collectively, the "Significant Tenants"). For the years ended December 31, 2022 and 2021, revenues associated with Significant Tenants amounted to $1,776,284 and $1,255,130, respectively, which represents 66.8% and 68.9% of the Company's total revenues, respectively (see Note 3).

### Fair value of financial instruments

The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, and other payables approximate their fair market value based on the short-term maturity of these instruments.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820"), requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

The guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Other than the interest rate swap, the Company did not identify any other assets or liabilities that are required to be presented on the balance sheets at fair value, on a recurring basis, in accordance with Accounting Standards Codification ("ASC") Topic 820.

The following table represents the Company's fair value hierarchy of its financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022. The Company did not have any financial assets and liabilities measured at fair value on December 31, 2021.

| | December 31, 2022 | | |
|---|---|---|---|
| **Description** | **Level 1** | **Level 2** | **Level 3** |
| Interest rate swap liability | $ — | $ 90,237 | $ - |

**Interest Rate Swap**

In connection with a bank loan executed in 2022, the Company entered into an interest rate swap agreement to management interest rate risk related to debt that accrues interest at variable rates The Company accounts for its interest rate swap agreement in accordance with the guidance related to derivatives and hedging activities. The Company is exposed to market risk from changes in interest rates. The Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. Interest payments receivable and payable under the terms of the interest rate swap agreement are accrued over the period to which the payment relates and the net difference is treated as an adjustment of interest expense related to the underlying liability. Because the variable interest rates used to calculate payments under the terms of the swap agreement are calculated using different benchmarks than those included in the Company's variable rate debt agreement, the swap agreement is not considered an effective cash flow hedge.

Accordingly, changes in the underlying market value of the remaining swap payments are recognized into income as an increase or decrease to other income (expense) each reporting period. In accordance with ASC 820, *Fair Value Measurements and Disclosures*, the Company believes values provided by its counterparty represent the fair value of its swap agreement. The Company believes that the quality of the counterparty to its swap agreement mitigates the counterparty credit risk.

The estimated fair value of the interest rate swap agreement is determined using an internal valuation model based on market data obtained from East West Bank and is reflected as a derivative liability on the accompanying consolidated balance sheet with changes in the fair value reflected in change in fair value of interest rate swap on the accompanying statements of operations. The Company uses derivative financial instruments only to manage interest rate risks and not as investment vehicles.

Information regarding the interest rate swap is as follows:

| **Description** | **Notional Amount** | **Interest Rate** | **Maturity** | **Fair Value of Liability on December 31, 2022** | **Fair Value of Liability on December 31, 2021** |
|---|---|---|---|---|---|
| December 7, 2022 interest rate swap | $ 4,500,000 | 7.65% | December 10, 2032 | $ 90,237 | $ - |

**Cash**

Cash is carried at cost and represents cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments. The Company had no cash equivalents on December 31, 2022 and 2021. The Company's cash is held at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation ("FDIC") limit. To date, the Company has not experienced any losses on its invested cash. On December 31, 2022 and 2021, the Company had approximately $3,586,000 and $942,000, respectively, of cash in excess of FDIC limits of $250,000. Any loss incurred or a lack of access to such funds above the FDIC limit could have a significant adverse impact on the Company's financial condition, results of operations and cash flows.

**Accounts and convertible notes receivable**

The Company recognizes an allowance for losses on accounts and notes receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging and expected future write-offs, as well as an assessment of specific identifiable customer accounts and notes receivable considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized in general and administrative expense.

As of December 31, 2022, in connection with the Company's investment in convertible notes receivable, the Company recorded a loss on note receivable investment of $210,756 which is included in other income (expenses) on the accompanying consolidated statement of operations and consisting of convertible notes receivable and interest receivable amounting to $200,000 and $10,756, respectively. In connection with management's analysis, the Company considered the current financial position of KCB Jade Holdings, LLC ("KCB"), cash on hand, probability of obtaining additional capital or cash flows from working capital in the near term and industry headwinds from macro-industry factors. Based on this analysis, the Company concluded that deriving any future benefit more this investment was highly uncertain. During the year ended December 31, 2021, the Company did not record any allowances for doubtful accounts.

**Investment in joint ventures**

The Company has equity investments in various privately held entities. The Company accounts for these investments either under the equity method or cost method of accounting depending on the Company's ownership interest and level of influence. Investments accounted for under the equity method are recorded based upon the amount of the Company's investment and adjusted each period for its share of the investee's income or loss. Investments are reviewed for changes in circumstance or the occurrence of events that suggest an other than temporary event where our investment may not be recoverable. The Company evaluates its investments in these entities for consolidation. It considers its percentage interest in the joint venture, evaluation of control and whether a variable interest entity exists when determining whether or not the investment qualifies for consolidation or if it should be accounted for as an unconsolidated investment under either the equity method of accounting.

If an investment qualifies for the equity method of accounting, the Company's investment is recorded initially at cost, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. The net income or loss of an unconsolidated investment is allocated to its investors in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. Differences, if any, between the carrying amount of our investment in the respective joint venture and the Company's share of the underlying equity of such unconsolidated entity are amortized over the respective lives of the underlying assets as applicable. These items are reported as a single line item in the statements of operations as income or loss from investments in unconsolidated affiliated entities.

**Long-term investments**

Long-term investments include investments in equity securities of entities over which the Company does not have a controlling financial interest or significant influence and are accounted for at fair value. Equity investments without readily determinable fair values are measured at cost with adjustments for observable changes in price or impairments (referred to as the "measurement alternative"). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in non-operating income (loss). On December 31, 2022, long-term investments consist of an investment in convertible preferred stock that does not have a readily determinable fair value (see Note 7). On December 31, 2021, the Company did not have any investment in equity securities.

**Rental properties**

Rental properties are carried at cost, less accumulated depreciation and amortization. Betterments, major renovations and certain costs directly related to the improvement of rental properties are capitalized. Maintenance and repair expenses are charged to expense as incurred. Depreciation is recognized on a straight-line basis over estimated useful lives of the assets, which range from 5 to 39 years. Tenant improvements are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets.

Upon the acquisition of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, identified intangibles, such as acquired above-market leases and acquired in-place leases) and acquired liabilities (such as acquired below-market leases) and allocate the purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known trends, and market/economic conditions.

The Company's rental properties 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 property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared.

If the Company's estimates of the projected future cash flows, anticipated holding periods, or market conditions change, the Company's evaluation of impairment losses may be different and such differences could be material to its consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. For the years ended December 31, 2022 and 2021, the Company did not record any impairment losses.

The Company has capitalized land, which is not subject to depreciation.

**Property and equipment**

Property and equipment is stated at cost, less accumulated depreciation. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives. The Company uses a five-year life for office equipment, seven years for furniture and fixtures, and five to ten years for vehicles. Expenditures for maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in statements of operations.

The Company examines the possibility of decreases in the value of these assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

**Revenue recognition**

The Company follows ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and requires certain additional disclosures.

Rental income includes base rents that each tenant pays in accordance with the terms of its respective lease and is reported on a straight-line basis over the non-cancellable term of the lease, which includes the effects of rent abatements under the leases. The Company commences rental revenue recognition when the tenant takes possession of the leased space or controls the physical use of the leased space and the leased space is substantially ready for its intended use. If the lease provides for tenant improvements, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance (including amounts that can be taken in the form of cash or a credit against the tenant's rent) that is funded is treated as a lease incentive receivable and amortized as a reduction of revenue over the lease term.

Currently, the Company's leases provide for payments with fixed monthly base rents over the term of the leases or annual percentage increases in base rent over the term of the lease. The leases also require the tenant to remit estimated monthly payments to the Company for property taxes and common area maintenance. These payments are recorded as rental income and the related property tax expense is reflected separately on the consolidated statements of operations.

Revenues from advisory services is recognized when the Company performs services pursuant to its agreements with clients and collectability is reasonably assured.

Brokerage revenues primarily consist of real estate sales commissions and are recognized upon the successful completion of all required services which is likely to occur upon a lease commencement, when escrow closes on the sale of a property, or as otherwise negotiated between the Brokerage and its clients. In accordance with the guidelines established for reporting revenue gross as a principal versus net as an agent in ASC Topic 606, the Company records commission revenues and expenses on a gross basis. Of the criteria listed in ASC Topic 606, the Company is the primary obligor in the transaction, does not have inventory risk, performs all or part of the service, has credit risk, and has wide latitude in establishing the price of services rendered and discretion in selection of agents and determination of service specifications. Brokerage revenues that are payable upon payment of rent or other events beyond the Company's control are recognized upon the occurrence of such events.

**Lease accounting**

The FASB's Accounting Standards Update ("ASU") 2016-02, "*Leases (Topic 842)"* sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to recognize a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases.

For leases entered into on or after the effective date, where the Company is the lessor, at the inception of the contract, the Company assesses whether the contract is a sales-type, direct financing or operating lease by reviewing the terms of the lease and determining if the lessee obtains control of the underlying asset implicitly or explicitly. If a change to a pre-existing lease occurs, the Company evaluates if the modification results in a separate new lease or a modified lease. A new lease results when a modification provides additional right of use. The new lease or modified lease is then reassessed to determine its classification based on the modified terms. As disclosed in Note 3, on January 1, 2019, the Chino Valley lease was modified to increase the monthly base rent from $35,000 to $40,000. On May 31, 2020, the Chino Valley lease was modified to decrease the monthly base rent from $40,000 to $32,800 and the Tempe lease was modified to increase the monthly base rent from $33,500 to $49,200. On August 23, 2021 and effective September 1, 2021, the Chino Valley lease was amended, and the monthly base rent was increased to $55,195 due to additional space of 27,312 square feet being leased to the lessee. On January 24, 2022 and effective on March 1, 2022, the Chino Valley lease was amended and the monthly base rent was increased to $87,581 due to additional space of 30,000 square feet being leased to the lessee, increasing the premises to a total of 97,312 square feet of operational space. In connection with this lease amendment, the Company paid $500,000 to the tenant as a tenant improvement allowance or lease incentive for investment into the premises, which was capitalized as a lease incentive receivable and is recognized on a straight-line basis over the remaining lease term as a reduction to the lease income. The increase in monthly rent was commensurate with the additional space being leased; therefore, this modification qualifies as a separate contract under ASC 842 which does not require lease classification reassessment. The Company excludes short-term leases having initial terms of 12-months or less as an accounting policy election and recognizes rent expense on a straight-lines basis over the lease term.

The Company records revenues from rental properties for its operating leases where it is the lessor on a straight-line basis. Any revenue on the straight-line basis exceeding the monthly payment amount required on the operating lease is reflected as a deferred rent receivable. Effective May 31, 2020, the Company amended its leases for which it is the lessor on its Chino Valley, Tempe, Kingman and Green Valley properties. The amendments resulted in an abatement of rent for the months of June and July 2020. Additionally, in connection with an operating lease on the Company's Michigan property acquired in December, 2022, the Company abated certain lease payments for the period from December 2022 to March 2023. These rent abatements resulted in an aggregate deferred rent receivable as of December 31, 2022 and 2021 of $204,079 and $164,770, respectively (see Note 3). Additionally, if the lease provides for tenant improvements, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance (including amounts that can be taken in the form of cash or a credit against the tenant's rent) that is funded is treated as a lease incentive receivable and amortized as a reduction of revenue over the lease term.

For contracts entered into on or after the effective date, where the Company is the lessee, at the inception of a contract, the Company assess whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset. The Company allocates the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments. For leases where the Company is a lessee, primarily for the Company's administrative office lease, the Company analyzed if it would be required to record a lease liability and a right of use asset on its consolidated balance sheets at fair value upon adoption of ASU 2016-02.

Operating lease right of use asset represents the right to use the leased asset for the lease term and operating lease liability is recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, the Company used its incremental borrowing rate of 6% based on the information available at the adoption date or execution of a lease agreement in determining the present value of future payments. Lease expense for minimum lease payments is amortized on a straight-line basis over the lease term and is included in general and administrative expenses in the consolidated statements of operations.

**Basic and diluted loss per share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period using the treasury stock method and as-if converted method. Potentially dilutive common shares and participating securities are excluded from the computation of diluted shares outstanding if they would have an anti-dilutive impact on the Company's net losses. The Company's preferred stock is considered a participating security since the preferred shares are entitled to dividends equal to common share dividends and accordingly, are included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing (loss) income per share is an earnings allocation formula that determines (loss) income per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings.

The following potentially dilutive shares have been excluded from the calculation of diluted net loss per share as their effect would be anti-dilutive for the years ended December 31, 2022 and 2021.

| | December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Convertible debt | 400,000 | 404,000 |
| Stock options | 2,352,500 | 1,575,000 |
| | 2,752,500 | 1,979,000 |

**Segment reporting**

Prior to January 1, 2022, the Company determined that its properties had similar economic characteristics to be aggregated into one reportable segment (operating, leasing and managing commercial properties, and advisory and brokerage services related to commercial properties). The Company's determination was based primarily on its method of internal reporting. Beginning on January 1, 2022, the Company changed its method of internal reporting and determined that the Company operates in two reportable segments which consists of (1) the operations, leasing and management of its leased commercial properties, herein known as the "Property Investment Portfolio" segment, and (2) advisory and brokerage services related to commercial properties, herein known as the "Real Estate Services" segment. The Company has determined that these reportable segments were strategic business units that offered different products. Currently, these reportable segments are being managed separately based on the fundamental differences in their operations.

**Income tax**

Deferred income tax assets and liabilities arise from temporary differences between the financial statements and tax basis of assets and liabilities, as measured by the enacted tax rates, which are expected to be in effect when these differences reverse. Deferred tax assets and liabilities are classified as current or non-current, depending upon the classification of the asset or liabilities to which they relate. Deferred tax assets and liabilities not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company follows the provisions of FASB ASC 740-10, "Uncertainty in Income Taxes". Certain recognition thresholds must be met before a tax position is recognized in the financial statements. An entity may only recognize or continue to recognize tax positions that meet a "more-likely-than-not" threshold. The Company does not believe it has any uncertain tax positions as of December 31, 2022 and 2021 that would require either recognition or disclosure in the accompanying consolidated financial statements.

**Stock-based compensation**

Stock-based compensation is accounted for based on the requirements of ASC 718 – *"Compensation – Stock Compensation*", which requires recognition in the financial statements of the cost of employee, director, and non-employee services received in exchange for an award of equity instruments over the period the employee, director, or non-employee is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee, director, and non-employee services received in exchange for an award based on the grant-date fair value of the award. The Company has elected to recognize forfeitures as they occur as permitted under Accounting Standards Update ("ASU") 2016-09 *Improvements to Employee Share-Based Payment Accounting.*

**Recently issued accounting pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, and a modified retrospective approach is required, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. In November of 2019, the FASB issued ASU 2019-10, which delayed the implementation of ASU 2016-13 to fiscal years beginning after December 15, 2022 for smaller reporting companies which applies to the Company. The Company is currently evaluating the impact of ASU 2016-13 on its future consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

**NOTE 3 – CONCENTRATIONS AND RISKS**

Lease Agreements with Significant Tenants

The Company considers tenants whose annual base rent exceeds over 10% of the Company's annual rental income to be a significant tenant.

The Company's properties located in Chino Valley and Green Valley are leased by Broken Arrow Herbal Center, Inc. ("Broken Arrow").

The Company's properties located in Tempe (through November 30, 2022) and Kingman are leased by CJK, Inc. ("CJK").

On November 30, 2022, Zoned Arizona, CJK, and VSM LLC ("VSM") entered into the Tempe Second Amendment to the Tempe Lease, as amended. Concurrently with the execution of the Tempe Second Amendment, CJK assigned all its interest in the Tempe Lease to VSM.

On December 1, 2022, the Company entered into a lease agreement with its tenant for the lease of its recently acquired property located in Pleasant Ridge, Michigan (the "Woodward Lease").

The Tempe Lease, Kingman Lease, Chino Valley Lease, Green Valley Lease, and the Woodward Lease are considered significant and the tenants are referred to as the Significant Tenants.

*Chino Valley, AZ*

On May 1, 2018, Chino Valley and Broken Arrow terminated the prior Chino Valley Lease dated April 6, 2015, as amended, in consideration of (i) entry into that certain Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 between Chino Valley and Broken Arrow (the "2018 Chino Valley Lease"), with a term of 22 years, expiring April 30, 2040, and (ii) abatement of rent that would otherwise have been due for the month of April 2018 under the prior Chino Valley Lease. The 2018 Chino Valley Lease provided for payment by Broken Arrow of a fixed monthly base rent of $35,000, as well as real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes) levied upon or assessed against Chino Valley. In addition, pursuant to the terms of the 2018 Chino Valley Lease, Broken Arrow agreed to maintain insurance in full force during the term of the 2018 Chino Valley Lease and any other period of occupancy of the premises by Broken Arrow. On January 1, 2019, Chino Valley and Broken Arrow entered into that the First Amendment to the 2018 Chino Valley Lease (the "2019 Chino Valley Lease Amendment"), pursuant to which the monthly base rent was increased from $35,000 to $40,000. Except for the increase in base rent, the terms of the 2018 Chino Valley Lease remain in full force and effect.

On May 29, 2020, Chino Valley and Broken Arrow entered into a Second Amendment to the 2018 Chino Valley Lease, as amended (the "2020 Chino Valley Amendment"), effective May 31, 2020 ("Effective Date"). Pursuant to the terms of the 2020 Chino Valley Amendment, among other things, the base rent was adjusted to $32,800 per month, and the base rent was abated from June 1, 2020 to July 31, 2020. Any increase in the rentable area of the leased premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. Pursuant to the terms of the 2020 Chino Valley Amendment, the parties agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Chino Valley and Broken Arrow, Broken Arrow may terminate the 2018 Chino Valley Lease, as amended, by delivering written notice to Chino Valley, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term. In addition, the parties agreed that from the period from the Effective Date to June 30, 2022 (the "Improvement Period"), Broken Arrow will and/or Broken Arrow will cause its affiliate, CJK, to invest a combined total of at least $8,000,000 of improvements ("Investment by Tenants") in and to the property that is the subject of the Chino Valley Lease and the property that is the subject of the Tempe Lease (discussed below, and collectively referred to as the "Facilities"). The Company's Significant Tenants have completed the Investment by Tenants to the Facilities totaling in excess of $8,000,000 and have satisfied the contractual obligations related to the same.

On August 23, 2021, Chino Valley and Broken Arrow entered into the Third Amendment (the "Third Chino Valley Amendment") to the 2018 Chino Valley Lease, as amended (the "Chino Valley Lease"), effective September 1, 2021. The parties previously agreed that the base rental payments under the Chino Valley Lease would increase commensurate to any and all expanded and operational square footage on the premises by calculating the fixed rate of $0.82 per square foot per month by the new operational square footage. Accordingly, in the Third Chino Valley Amendment, the parties agreed that, as of September 1, 2021, the rental payment is increased to $55,195 per month base rental payment, plus additional rental payments, as a result of the increase in the square footage to 67,312 square feet of operational space. This lease modification qualifies as a separate contract as the modification grants the tenant additional right of use not included in the original lease, as amended, and the increase in monthly rent payments is commensurate with the standalone price for the additional square footage being leased.

On January 24, 2022 and effective on March 1, 2022, Chino Valley and Broken Arrow entered into the Fourth Amendment (the "Fourth Chino Valley Amendment") to the Chino Valley Lease, as amended. Pursuant to the terms of the Fourth Chino Valley Amendment, the parties acknowledge that an additional 30,000 square feet have become operational, increasing the premises to a total of 97,312 square feet of operational space. In connection with the Fourth Chino Valley Amendment, the Company paid $500,000 to Tenant as a tenant improvement allowance or lease incentive for investment into the premises, which was capitalized as a lease incentive receivable and is recognized on a straight-line basis over the remaining lease term as a reduction to the lease income. Pursuant to the terms of the Fourth Chino Valley Amendment, effective March 1, 2022, the monthly base rent was increased to $87,581, representing an increase from $0.82 per square foot to $0.90 per square foot, for all current and future operational square footage that may be developed as the premises continues to expand.

*Green Valley, AZ*

On May 1, 2018, Green Valley and Broken Arrow terminated the prior Green Valley Lease dated October 1, 2014, in consideration of (i) entry into that certain Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 between Green Valley and Broken Arrow (the "Green Valley Lease"), with a term of 22 years, expiring April 30, 2040, and (ii) abatement of rent that would otherwise have been due for the month of April 2018 under the prior Green Valley Lease. The Green Valley Lease provided for payment by Broken Arrow of a fixed monthly base rent of $3,500, as well as real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes) levied upon or assessed against Chino Valley. In addition, pursuant to the terms of the Green Valley Lease, Broken Arrow agreed to maintain insurance in full force during the term of the Green Valley Lease and any other period of occupancy of the premises by Broken Arrow.

On May 29, 2020, Green Valley and Broken Arrow entered into the First Amendment (the "Green Valley Amendment") to the Green Valley Lease, effective May 31, 2020. Pursuant to the terms of the Green Valley Amendment, among other things, the parties agreed to abate the fixed base rent of $3,500 from June 1, 2020 to July 31, 2020. In addition, the Green Valley Amendment provides that any increase in the rentable area of the leases premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. The parties also agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Green Valley and Broken Arrow, Broken Arrow may terminate the Green Valley Lease by delivering written notice to Green Valley, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term.

*Tempe, AZ*

On May 1, 2018, Zoned Arizona and CJK terminated the prior Tempe Leases dated in 2015 and 2017 in consideration of (i) entry into that certain Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 between Zoned Arizona and CJK (the "Tempe Lease"), with a term of 22 years, expiring April 30, 2040, and (ii) abatement of rent that would otherwise have been due for the month of April 2018 under the prior Tempe Leases. The Tempe Lease provided for payment by CJK of a fixed monthly base rent of $33,500, as well as real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes) levied upon or assessed against Zoned Arizona. In addition, pursuant to the terms of the Tempe Lease, CJK agreed to maintain insurance in full force during the term of the Tempe Lease and any other period of occupancy of the premises by CJK.

On May 29, 2020, Zoned Arizona and CJK entered into the First Amendment (the "Tempe Amendment") to the Tempe Lease, effective May 31, 2020. Pursuant to the terms of the Tempe Amendment, among other things, the base rent was increased to $49,200 per month, and the base rent was abated from June 1, 2020 to July 31, 2020. Any increase in the rentable area of the leased premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. Pursuant to the terms of the Tempe Amendment, the parties agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Zoned Arizona and CJK, CJK may terminate the Tempe Lease by delivering written notice to Zoned Arizona, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term.

In addition, under the Tempe Amendment the parties agreed to an Investment by Tenant (as defined above in the subheading *Chino Valley*) to the property that is the subject of the Chino Valley Lease and the property that is the subject of the Tempe Lease. If Broken Arrow and/or CJK fails to deliver to the Company receipted bills for hard and soft costs of improvements to the Facilities totaling at least $8,000,000 on or before June 30, 2022, Broken Arrow and CJK will be in default under the Chino Valley Lease and Tempe Lease, as amended. The Company's Significant Tenants have completed the Investment by Tenants to the Facilities totaling in excess of $8,000,000 and have satisfied the contractual obligations related to the same.

In connection with a promissory note, (See Note 8), on July 11, 2022 and reaffirmed on December 7, 2022, the Company entered into a Deed of Trust Agreement that secures the Company's performance under the promissory note. The Deed of Trust Agreement transfers and assigns to the lender the right to sell the assets of Tempe and rights to rental income in case of default under the promissory note.

On November 30, 2022, Zoned Arizona, CJK, and VSM LLC ("VSM") entered into that Second Amendment (the "Tempe Second Amendment") to the Tempe Lease, as amended. Concurrently with the execution of the Tempe Second Amendment: (i) CJK assigned all its interest in the Tempe Lease to VSM (the "Assignment"), and (ii) VSM subleased a portion of the Premises (as defined in the Tempe Lease), pursuant to that certain Sublease dated November 30, 2022 between VSM, as sublessor, and CJK, as sublessee.

Pursuant to the terms of the Tempe Second Amendment, among other things, and in consideration of Zoned Arizona's agreement to enter into the Tempe Second Amendment: (i) VSM paid Zoned Arizona $300,000 (the "Assignment Price"), (ii) VSM agreed to commit at least $3,000,000 to be spent toward capital improvements to the Premises within two years after the effective date of the Tempe Second Amendment (the "Capital Commitment"), (iii) VSM agreed to deposit an additional security deposit (the "Additional Security Deposit") of $147,600 to be held by Zoned Arizona per the terms of the Tempe Lease, and (iv) VSM agreed to cause its affiliate, GDL Inc. (doing business as Green Dot Labs) ("GDL") to execute and deliver to Zoned Arizona that Guaranty of Payment and Performance dated on the same date as the Tempe Amendment, which Guaranty of Payment and Performance requires GDL to guarantee and be liable for VSM's compliance with and performance under the Tempe Lease. The Guaranty of Payment and Performance was entered into on November 30, 2022. If VSM fails to deliver to Zoned Arizona invoices or other documentation acceptable to Zoned Arizona showing the Capital Commitment has been satisfied in a timely manner, VSM will be in default under the Tempe Lease. No other terms of the Tempe Lease were modified. Therefore, the Company's accounting for the lease remained unchanged subsequent to the Tempe Second Amendment and Assignment.

Accordingly, the Company will amortize the $300,000 assignment fees into rental revenue on a straight-line basis over the remaining term of the lease through April 2040. On December 31, 2022, contract liability related to this lease modification amount to $298,565 which has been presented on the accompanying consolidated balance sheet.

*Kingman, AZ*

On May 1, 2018, Kingman and CJK agreed to terminate the prior Kingman Lease dated October 1, 2014, in consideration of (i) entry into that certain Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 between Kingman and CJK (the "Kingman Lease"), with a term of 22 years, expiring April 30, 2040, and (ii) abatement of rent that would otherwise have been due for the month of April 2018 under the Prior Kingman Lease. The Kingman Lease provides for payment by CJK of a fixed monthly base rent of $4,000, as well as real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes) levied upon or assessed against Kingman. In addition, pursuant to the terms of the Kingman Lease, CJK agreed to maintain insurance in full force during the term of the Kingman Lease and any other period of occupancy of the premises by CJK.

On May 29, 2020, Kingman and CJK entered into the First Amendment (the "Kingman Amendment") to the Kingman Lease, effective May 31, 2020. Pursuant to the terms of the Kingman Amendment, among other things, the parties agreed to abate the $4,000 base rent from June 1, 2020 to July 31, 2020. In addition, the Kingman Amendment provides that any increase in the rentable area of the leases premises will result in an increase in all amounts calculated based on the same, including, without limitation, base rent. The parties also agreed that if there is any change in laws such that the dispensing, sale or cultivation of marijuana upon the premises is prohibited or materially and adversely affected as mutually and reasonably determined by Kingman and CJK, CJK may terminate the Kingman Lease by delivering written notice to Kingman, together with a termination payment which shall be the sum of (i) any unpaid rent and interest, plus (ii) 5% of the base rent which would have been earned after termination for the balance of the term.

On November 30, 2022, Kingman and CJK entered into the Second Amendment (the "Kingman Second Amendment") to the Licensed Medical Marijuana Facility Triple Net (NNN) Lease Agreement dated May 1, 2018 between Kingman and CJK. Pursuant to the terms of the Kingman Second Amendment, CJK agreed to grant Kingman a right to terminate the Kingman Lease upon 15 days' prior written notice in Kingman's sole discretion, without any obligation to do so, provided that Kingman may not exercise this right to terminate if CJK is operating its business as a going concern at the premises which is the subject of the Kingman Lease.

*Pleasant Ridge, MI*

On November 29, 2022, ZP Woodward, as landlord, entered into a Licensed Cannabis Facility Absolute Net Lease Agreement (the "Woodward Lease") with Rapid Fish 2 LLC, as tenant ("Woodward Tenant"), whereby ZP Woodward leased the Woodward Property located in Pleasant Ridge, Michigan to the Woodward Tenant. The Woodward Lease commenced on December 1, 2022 and has a term of 14 years and 4 months through March 1, 2037, with two 5-year options to extend the term, exercisable by the Woodward Tenant pursuant to the terms and conditions of the Woodward Lease. The Woodward Lease contains customary obligations of the Woodward Tenant consistent with an absolute triple net lease agreement, including (i) the payment of real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes), (ii) payment of insurance premiums and operating costs of ZP Woodward related to the operation of the Woodward Property, and (iii) maintenance and repair obligations to maintain the Woodward Property in first-class retail condition. The Woodward Lease includes a Guaranty of Payment and Performance by Ammar Kattoula and Thomas Nafso. The Woodward Lease contains an abatement of the full or partial rent that would otherwise have been due for the months from December 2022 to March 2023. Subsequent to the abatement period, the Woodward Lease provides for payment by the tenant of monthly base rent beginning at $40,319 per month and increasing by 3% per year over the term of the lease, as well as real property taxes, personal property taxes, privilege, sales, rental, excise, use and/or other taxes (excluding income or estate taxes) levied upon or assessed against the Company. In addition, pursuant to the terms of the Woodward Lease, the Woodward Tenant agreed to maintain insurance in full force during the term of the Woodward Lease and any other period of occupancy of the premises by the tenant. The tenant shall have the option, exercisable by written notice to ZP Woodward given not later than 180 days prior to the expiration of the then current term, to extend the term for two further terms of five years each on the same terms and conditions as provided in this Lease.

As of December 31, 2022 and 2021, security deposits payable to the collective Significant Tenants amounted to $219,400 and $71,800, respectively. Future minimum lease payments primarily consist of minimum base rent payments from the collective Significant Tenants.

Future minimum lease payments to be received, on all leased properties, for each of the five succeeding calendar years and thereafter as of period ended December 31, 2022, consists of the following:

| **Future annual base rent:** | |
|---|---|
| 2023 | $ 2,154,211 |
| 2024 | 2,245,735 |
| 2025 | 2,260,576 |
| 2026 | 2,264,399 |
| 2027 | 2,271,955 |
| Thereafter | 27,187,804 |
| Total | $ 38,384,680 |

Revenues – Significant Tenants

For the years ended December 31, 2022 and 2021, revenues associated with Significant Tenant leases described above are summarized as follows:

| | For the Year Ended December 31, 2022 | % of Total Revenues | For the Year Ended December 31, 2021 | % of Total Revenues |
|---|---|---|---|---|
| CJK | $ 638,789 | 24.0% | $ 690,673 | 37.9% |
| Broken Arrow | 1,034,470 | 38.9% | 564,457 | 31.0% |
| VSM * | 54,728 | 2.1% | - | - |
| Woodward Tenant * | 48,297 | 1.8% | - | - |
| Total | $ 1,776,284 | 66.8% | $ 1,255,130 | 68.9% |

* Revenues from these Significant Tenants began in December 2022 and will amount to over 10% of the Company's rental revenue in future periods.

Further, as of December 31, 2022 and 2021, a deferred rent receivable of $204,079 and $164,770 is due collectively from the Significant Tenants due to the abatement of rent under the lease agreements discussed above, respectively, and as of December 31, 2022, a lease incentive receivable of $477,064 is due from one of the Significant Tenants, in connection with the $500,000 tenant improvement allowance provided to tenant pursuant to the Chino Valley amendment executed during the year ended December 31, 2022 (see above). Additionally, as discussed above, VSM paid Zoned Arizona the $300,000 Assignment Price. The Company considers the assignment fee paid as a part of the lease payments for the modified lease and shall amortize the $300,000 assignment fees into rental revenue on a straight-line basis over the remaining term of the modified lease through April 2040. On December 31, 2022, deferred revenue related to this lease modification amounted to $298,565 and is included in contract liabilities on the accompanying consolidated balance sheet.

Asset concentration

The Company's real estate properties are leased to Significant Tenants under triple-net leases that terminate through March 2037 and April 2040, respectively. The Company monitors the credit of all tenants to stay abreast of any material changes in credit quality. The Company monitors tenant credit by (1) reviewing financial statements and related metrics and information that are publicly available or that are provided to us upon request, and (2) monitoring the timeliness of rent collections.

As of December 31, 2022 and 2021, the Company had an asset concentration related to the Significant Tenants. As of December 31, 2022 and 2021, the Significant Tenants collectively leased approximately 59.8% and 79.2% of the Company's total assets, respectively. Through December 31, 2022, all rental payments have been made on a timely basis.

**NOTE 4 – RENTAL PROPERTIES**

On December 31, 2022 and 2021, rental properties, net consisted of the following:

| Description | Useful Life (Years) | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Building and building improvements | 5-39 | $ 8,087,997 | $ 6,293,748 |
| Land | - | 2,514,848 | 2,016,548 |
| Rental properties, at cost | | 10,602,845 | 8,310,296 |
| Less: accumulated depreciation | | (2,214,709) | (1,868,831) |
| Rental properties, net | | $ 8,388,136 | $ 6,441,465 |

On June 1, 2021, the Company closed on the sale of its Gilbert, AZ property with a third party (the "Purchaser") pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the property located in Gilbert, Arizona, for an aggregate purchase price of $335,000. In connection with the sale, the Company received net proceeds of $322,332 and recorded a gain on sale of rental property of $51,944.

On December 1, 2022, ZP Woodward entered into an Exclusive Option Agreement for the Purchase of Real Property (the "Option Agreement"), dated December 1, 2022 between ZP Woodward and FL MI RE 22, LLC (the "Woodward Assignor"). Pursuant to the terms of the Option Agreement and subject to the conditions therein, ZP Woodward was granted the exclusive option (the "Option") to assume all of the Woodward Assignor's rights and obligations under certain purchase agreements and other definitive documents as described in the Option Agreement (collectively, "Assigned Rights"), all related to real property located in Pleasant Ridge, Michigan and as more particularly described in the Option Agreement (the "Woodward Property"). In December 2022, the Company exercised its rights to acquire the properties located at 23616 and 23622 Woodward Avenue, Pleasant Ridge, Michigan for a purchase price of $2,292,549 including cash of $867,549, and a land contract promissory note of $1,425,000 (see Note 8). The properties consist of approximately 9,060 square feet of land with approximately 6,192 square feet of rentable buildings space. Simultaneously, the Company paid cash of $590,000 to the Woodward Assignor in assignment fees and deposits for the rights to acquire two adjacent properties (the "Parking Lots"), which is reflected as escrow deposits on the accompanying consolidated balance sheets as of December 31, 2022. Subsequent to year-end 2022, in February 2023, ZP Woodward exercised its rights and acquired the adjacent Parking Lots (See Note 16). On November 29, 2022, the Woodward Properties and the Parking Lots were leased to the Woodward Tenant pursuant to the Woodward Lease (See Note 3).

*Repurchase Agreement*

On November 29, 2022, ZP Woodward, the Woodward Assignor, Ammar Kattoula and Thomas Nafso (the Woodward Assignor, Mr. Kattoula and Mr. Nafso collectively referred to as the "Repurchasers") entered into a Real Estate Repurchase Agreement (the "Repurchase Agreement"). The Repurchase Agreement required the Repurchasers to purchase the Woodward Property from ZP Woodward upon ZP Woodward's election in its sole discretion for a period ending 30 days after the earlier of (i) the date (y) the applicable governmental authority rejects approval of the pending Marijuana Facility Application by the Woodward Tenant, or (z) ZP Woodward has actual notice of any breach of Woodward Assignor's representations, warranties or covenants under the Master Agreement, or (ii) March 15, 2023 or such later date mutually agreed upon by ZP Woodward and the Repurchasers. On February 14, 2023, the Marijuana Facility Application was approved by Pleasant Ridge. Subsequent to December 31, 2022, in February 2023, ZP Woodward exercised its rights and completed the purchase of the two adjacent Parking Lots, therefore no repurchase was required by the Repurchasers.

For the years ended December 31, 2022 and 2021, depreciation of rental properties amounted to $345,878 and $352,529, respectively.

**NOTE 5 – CONVERTIBLE NOTE RECEIVABLE**

On March 19, 2020, the Company made an initial investment of $100,000 into KCB Jade Holdings, LLC ("KCB"), an entity founded by an individual related to the Company's President and Chief Operating Officer. KCB, doing business as Open Dør Dispensaries, is committed to guiding retailers through the chaos of cannabis. KCB is interested in cannabis dispensary license holders who want to elevate the experience of regulated cannabis utilizing the Open Dør Dispensaries retail model as franchisee partners. In exchange for the investment, KCB issued to the Company a convertible debenture (the "KCB Debenture") dated March 19, 2020 (the "Issuance Date") in the original principal amount of $100,000. The KCB Debenture bears interest at the rate of 6.5% per annum and matures on March 19, 2025 (the "Maturity Date"). Interest on the outstanding principal sum of the KCB Debenture commences accruing on the Issuance Date and is computed on the basis of a 365-day year and the actual number of days elapsed and shall be payable annually due by the first day of each calendar anniversary following the Issuance Date. KCB may prepay the KCB Debenture at any point after 18 months following the Issuance Date, in whole or in part. However, if KCB elects to prepay the KCB Debenture prior to the Maturity Date or prior to any conversion as provided in the KCB Debenture in whole or in part, the Company will be entitled to receive a number of KCB units, in addition to such prepayment amount, constituting 10% of the total outstanding units and 10% of the total percentage interest following such issuance and at the time of such issuance.

On or after six months from the Issuance Date, the Company may convert all or a portion of the principal balance and all accrued and unpaid interest due into a number of units equal to the proportion of the outstanding amount being converted multiplied by 33% of the total number of units issued and outstanding at the time of conversion, constituting 33% of the total percentage interest (the "Conversion Percentage"). If KCB defaults on payment of the KCB Debenture, the Company may, at its option, extend all conversion rights, through and including the date KCB tenders or attempts to tender payment in full of all amounts due under the KCB Debenture. Conversion rights terminate upon acceptance by the Company of payment in full of principal, accrued interest and any other amounts due under the KCB Debenture.

If (i) KCB does not elect to exercise its rights of prepayment prior to the Maturity Date, (ii) the Company does not elect to exercise its rights of conversion, and (iii) KCB pays to the Company all outstanding principal and interest accrued and due under the terms of the KCB Debenture on the Maturity Date, the Company will still be entitled to receive a number of units, in addition to such payment amount, constituting 8% of the total outstanding units and 8% of the total percentage interest following such issuance and at the time of such issuance.

Upon the occurrence of an Event of Default, as defined in the KCB Debenture, the entire principal balance and accrued and unpaid interest outstanding under the KCB Debenture, and all other obligations of KCB under the KCB Debenture, will be immediately due and payable and the Company may exercise any and all rights, power and remedies available to it at law or in equity or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in the KCB Debenture and proceed to enforce the payment thereof or any other legal or equitable right of the Company.

Any amount of principal or interest not paid when due will bear interest at the rate of 12% per annum from the due date thereof until paid.

On February 19, 2021 (the "Amendment Date"), the Company made an additional investment of $100,000 into KCB (the "Additional Investment"). In exchange, KCB issued to the Company an amended and restated convertible debenture (the "A&R Debenture") on the Amendment Date. The A&R Debenture amends and restates in its entirety the KCB Debenture. Pursuant to the A&R Debenture, the Company and KCB agreed to certain new terms that did not exist in the KCB Debenture, which are described below.

- *Interest Accrual Commencement*: Pursuant to the A&R Debenture, interest on the Initial Investment begins accruing as of March 19, 2020, while interest on the Additional Investment begins accruing on February 19, 2021.

- *Franchise Fees*. In the A&R Debenture, the parties acknowledge that each time that KCB sells one of its franchise locations, KCB earns a fee (an "Initial Fee"), and that KCB also earns a fee when one of its franchise locations renews its franchise with KCB (a "Renewal Fee"). Pursuant to the A&R Debenture, the Company and KCB agreed that, as additional consideration for the Additional Investment, KCB will pay to the Company, in perpetuity, 5% of any Initial Fee received by KCB after the Amendment Date, as well as 5% of any Renewal Fee received by KCB related to any franchise locations sold after the Amendment Date, in each case to be paid within five (5) days of receipt of KCB thereof.

In addition, following the Amendment Date, KCB agreed not to decrease the amount it charges its franchise locations for an Initial Fee or any Renewal Fee as in effect on the Amendment Date without the prior written consent of the Company, or to take any other actions that would reduce the value of KCB's obligation to the Company with respect to these franchise fee payments. KCB's obligation to pay the Company the franchise fees listed above will survive any termination, repayment or conversion of the A&R Debenture. Failure by KCB to pay the Company the franchise fees in the manner described above will result in an event of default, and, among other things, any due and unpaid franchise fees will accrue interest at 12% per year from the date the obligation was due.

Apart from the terms described above, the terms of the A&R Debenture are substantially identical to the terms of the KCB Debenture.

On August 2, 2021, KCB issued to the Company a second amended and restated convertible debenture (the "Second A&R Debenture"). The Second A&R Debenture amends and restates in its entirety the A&R Debenture. Pursuant to the Second A&R Debenture, the Company and KCB agreed to revise certain terms in the A&R Debenture, as follows.

*Right of Prepayment*. KCB may prepay the Second A&R Debenture at any point after 18 months following the Issue Date, in whole or in part. However, if KCB elects to prepay the Second A&R Debenture prior to March 19, 2025 (the "Maturity Date") or prior to any conversion in whole or in part, the Company will be entitled to receive a number of KCB Class B units ("Class B Units"), in addition to such prepayment amount, constituting 10% of the total outstanding KCB Units (as defined in KCB's Limited Liability Company Operating Agreement (the "Operating Agreement"), for the avoidance of doubt, being 10% of the total of KCB's Class A units ("Class A Units") and the Class B Units together, and 10% of the total Percentage Interest (as defined in the Operating Agreement) following such issuance and at the time of such issuance.

*Voluntary Conversion*. On or after six months from the Issue Date, the Company is entitled to convert all or a portion of the principal balance and all accrued and unpaid interest due under the Second A&R Debenture (the "Outstanding Amount") into a number of Class B Units equal to the proportion of the Outstanding Amount being converted multiplied by the Conversion Percentage, as defined below). Should KCB default on payment hereof, the Company may, at its option, extend all conversion rights, through and including the date KCB tenders or attempts to tender payment in full of all amounts due under the Second A&R Debenture. Conversion rights will terminate upon acceptance by the Company of payment in full of principal, accrued interest and any other amounts due under the Second A&R Debenture.

*Conversion Percentage.* The Conversion Percentage will be 33% of the total number of Units (for the avoidance of doubt, being 33% of the total of the Class A Units and the Class B Units together), issued and outstanding at the time of conversion, constituting 33% of the total Percentage Interest (the "Conversion Percentage").

*Right of Maturity Units*. If (i) KCB does not elect to exercise its prepayment rights prior to the Maturity Date, and (ii) the Company does not elect to exercise its conversion rights, and (iii) KCB pays to the Company all outstanding principal and interest accrued and due under the terms of the Second A&R Debenture on the Maturity Date, then the Company will still be entitled to receive a number of Class B Units, in addition to such payment amount, constituting 8% of the total outstanding Units (for the avoidance of doubt, being 8% of the total of the Class A Units and the Class B Units together) and 8% of the total Percentage Interest (as such term is defined in the Second A&R Debenture) following such issuance and at the time of such issuance.

Apart from the terms described above, the terms of the Second A&R Debenture are substantially identical to the terms of the A&R Debenture.

The convertible note receivable has been accounted for at amortized cost and is evaluated for collectability at each reporting date. As of December 31, 2022, based on management's analysis, the Company recorded a loss on note receivable investment of $210,756 which consisted of convertible notes receivable and interest receivable amounted to $200,000 and $10,756, respectively. In connection with management's analysis, the Company considered the current financial situation of KCB and an assessment of KCB's franchising opportunity in the cannabis industry from a macro-industry perspective. Based on this analysis, management concluded that realizing any future benefits from this investment was uncertain; therefore, the loss on the note receivable investment was recorded which has been reflected in other (income) expenses on the consolidated statements of operations.

On December 31, 2022, convertible note receivable and interest receivable amounted to $0. On December 31, 2021, convertible note receivable and interest receivable amounted to $200,000 and $10,756, respectively.

**NOTE 6 – INTANGIBLE ASSET**

On April 1, 2021, the Company's subsidiary, Arizona Brokerage, entered in an engagement letter for real estate brokerage services with a consultant for a guaranteed term of one year (the "Guaranteed Term"). During the Guaranteed Term, neither party may terminate the engagement letter, except for "Cause" as defined in the engagement letter. In connection with the engagement letter, the Company issued 60,000 shares of its common stock for the acquisition of brokerage materials and active real estate listings. In the event of termination of the engagement letter due to cause with respect to the consultant, the consultant must return to the Company a portion of the stock equal to the remaining portion of the Guaranteed Term. The shares were valued at their fair value of $37,800 using the quoted per share price on the date of grant of $0.63. In connection with these shares, on April 1, 2021, the Company recorded an intangible asset of $37,800 which was amortized over the one-year term of the engagement letter.

On December 31, 2022 and 2021, intangible assets consisted of the following:

| | Useful life | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Real estate brokerage materials and listing | 1 year | $ 37,800 | 37,800 |
| Less: accumulated amortization | | (37,800) | (28,350) |
| | | $ - | $ 9,450 |

For the year ended December 31, 2022 and 2021, amortization of intangible assets amounted to $9,450 and $28,350, respectively.

## NOTE 7 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES AND EQUITY SECURITIES

*Investment in unconsolidated joint ventures*

On December 31, 2022 and 2021, the Company held investments with aggregate carrying values of $58,293 and $74,554, respectively. The entities listed below are partially owned by the Company. The Company accounts for these investments under the equity method of accounting as the Company exercises significant influence but does not exercise financial and operating control over these entities. Investments are reviewed for changes in circumstance or the occurrence of events that suggest an other than temporary event where the Company's investment may not be recoverable. A summary of the Company's original investments in the unconsolidated affiliated entities and net carrying value amount is as follows:

| Entity | Date Acquired | Ownership % | Original Investment Amount | Net Carrying Value December 31, 2022 | Net Carrying Value December 31, 2021 |
|---|---|---|---|---|---|
| Beakon, LLC (the "Beakon Joint Venture") | April 22, 2021 | 50.0% | $ 86,000 | $ - | $ - |
| Zoneomics Green, LLC (the "Zoneomics Green Joint Venture") | May 1, 2021 | 50.0% | 90,000 | 58,293 | 74,554 |
| Total investments in unconsolidated joint venture entities | | | $ 176,000 | $ 58,293 | $ 74,554 |

On April 22, 2021, ZP Data 1 entered into a Limited Liability Company Operating Agreement (the "Beakon Operating Agreement") with a non-affiliated joint venture partner in connection with the formation of Beakon, LLC ("Beakon"), a Delaware limited liability company formed on April 16, 2021. Beakon signed a licensing agreement for the licensing of a consumer data/marketing software platform that Beakon will white label for the cannabis industry. Beakon's goal is to develop and leverage the platform to help drive foot traffic to brick and mortar retail (i.e. dispensaries), and thus enhance the value of the real estate and mitigate risk. Pursuant to the Beakon Operating Agreement, ZP Data 1 purchased 50 units of Beakon for $50, which represent 50% of the membership interests of Beakon. Each unit represents, with respect to any member, such member's: (i) interest in Beakon's capital, (ii) share of Beakon's net profits and net losses (and specially allocated items of income, gain, and deduction), and the right to receive distributions of net cash flow from Beakon, (iii) right to inspect Beakon's books and records, and (iv) right to participate in the management of and vote on matters coming before the members as provided in the Beakon Operating Agreement. The transactions discussed above resulted in a joint venture, in accordance with ASC 323-10 – *Investments- Equity and Joint Ventures,* between ZP Data 1 and the non-affiliated party. Each of the entities has 50% equity ownership and voting rights, and joint control in Beakon. ZP Data 1 accounts for its investment in Beakon under the equity method of accounting in accordance with ASC 323. During the year ended December 31, 2021, the Company contributed $86,000 to Beakon. Currently, the licensing company and Beakon have completed the creation of the foundational design, technology platform, and market positioning for Beakon to launch in the cannabis industry. However, in order to successfully launch, the technology platform relies upon a required merchant banking component. This was the primary risk for the Company in its financial investment and for Beakon in moving to a successful launch. While Company management knew this risk was a major factor going into the investment, it was not foreseen exactly when an appropriate merchant banking solution would be available given the federal status of regulated cannabis and specifically the federal banking status as it relates to regulated cannabis, even for ancillary services such as Beakon. During the fourth quarter of 2021, a negative open memo was published and distributed by Visa regarding merchant banking in regulated industries. The Company believes that this occurrence has unexpectedly and significantly increased the risk to the Beakon project and must be remedied prior to the launch of Beakon. The uncertainty related to cannabis banking reform and regulation at the federal level, which the Beakon platform relies upon, is now so uncertain that the Company believes it is most appropriate to cause an impairment of the Beakon investment at this time, while also understanding that Beakon may still very well create material value for the Company in the future. The Company has no further financial or investment obligations at this time. Accordingly, on December 31, 2021, the Company recorded an other-than-temporary impairment loss of $73,970 because it was determined that the fair value of its equity method investment in Beakon was less than its carrying value. Based on management's evaluation, it was determined that due to market and regulatory conditions, implementing the Company's business model was at risk and that the Company's ability to recover the carrying amount of the investment in Beakon was impaired. Beacon is currently inactive. For the year ended December 31, 2021, the $73,970 impairment loss is included in impairment loss from unconsolidated joint ventures on the consolidated statement of operations.

On May 1, 2021, the Company entered into a Limited Liability Company Operating Agreement (the "Zoneomics Green Operating Agreement") with a non-affiliated joint venture partner in connection with the formation of Zoneomics Green, LLC ("Zoneomics Green"), a Delaware limited liability company formed on May 1, 2021. Zoneomics Green's goal is to utilize advanced property technology to provide solutions for property identification in regulated industries such as regulated cannabis. Pursuant to the Zoneomics Green Operating Agreement, the Company purchased 50 units of Zoneomics Green for a capital contribution of $90,000, which represents 50% of the membership interests of Zoneomics Green and the other joint venture partner received 50% of the membership interests for no capital contributions. Each unit represents, with respect to any member, such member's: (i) interest in Zoneomics Green's capital, (ii) share of Zoneomics Green's net profits and net losses (and specially allocated items of income, gain, and deduction), and the right to receive distributions of net cash flow from Zoneomics Green, (iii) right to inspect Zoneomics Green's books and records, and (iv) right to participate in the management of and vote on matters coming before the members as provided in the Zoneomics Green Operating Agreement. The transactions discussed above resulted in a joint venture, in accordance with ASC 323-10 – *Investments- Equity and Joint Ventures,* between the Company and the non-affiliated party. Each of the entities has 50% equity ownership and voting rights, and joint control in Zoneomics Green. In June 2021, the Company contributed $90,000 to Zoneomics Green.

The following represents summarized financial information derived from the financial statements of the Beakon and Zoneomics Green Joint Ventures, respectively, as of December 31, 2022 and for the years ended December 31, 2022 and 2021.

| **Balance sheets (Unaudited):** | **Beakon** | **Zoneomics Green** |
|---|---|---|
| Current assets: | | |
| Cash | $ 2,400 | $ 26,586 |
| Total assets | $ 2,400 | $ 26,586 |
| | | |
| Liabilities | $ - | $ - |
| Equity | 2,400 | 26,586 |
| Total liabilities and equity | $ 2,400 | $ 26,586 |

| **Statement of operations (Unaudited)** | **For the Year Ended December 31, 2022** | |
|---|---|---|
| | **Beakon** | **Zoneomics Green** |
| Net sales | $ - | $ - |
| Operating expenses | (540) | (32,522) |
| Net loss | $ (540) | $ (32,522) |
| Company's share of loss from unconsolidated joint ventures | $ - | $ (16,261) |

During the years ended December 31, 2022 and 2021, the Company recorded a loss from unconsolidated joint ventures of $16,261 and $27,476, respectively, which represents the Company's proportionate share of losses from its joint ventures.

*Investment in equity securities*

On June 24, 2022, the Company's wholly-owned subsidiary, ZP Data Platform 2 LLC, purchased 875 shares of Series A convertible preferred stock of Anami Technology, Inc., a California corporation, for $50,000, or $57.14 per share. The Company's ownership percentage is less than 20% and it does not have the ability to exercise significant influence as described in ASC 323-10-15-6. This equity instrument does not have a readily determinable fair value. Accordingly, the Company elected to measure this equity security at its cost minus impairment, if any. If the Company identifies observable price changes in orderly transactions for the identical or a similar investment of the same issuer, the Company shall measure the equity security at fair value as of the date that the observable transaction occurred. If the Company subsequently elects to measure this equity security at fair value, the Company shall measure all identical or similar investments of the same issuer, including future purchases of identical or similar investments of the same issuer, at fair value. The election to measure this equity security at fair value shall be irrevocable. Any resulting gains or losses on the securities for which that election is made shall be recorded in earnings at the time of the election. On December 31, 2022, investment in equity securities amounted to $50,000.

**NOTE 8 – NOTES PAYABLE**

On December 31, 2022 and 2021, notes payable consisted of the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Note payable - East West Bank | $ 4,485,808 | $ - |
| Note payable - Woodward Property | 1,425,000 | - |
| Total principal due on notes payable | 5,910,808 | - |
| Less: debt discount | (183,058) | - |
| Notes payable, net | $ 5,727,750 | $ - |

East West Bank Swap note

On July 11, 2022, Zoned Arizona entered into a Loan Agreement (the "Loan Agreement"), dated as of July 11, 2022, by and between Zoned Arizona and East West Bank (the "Bank"). Pursuant to the terms of the Loan Agreement, subject to and upon the satisfaction of the terms and conditions of the Loan Agreement, Zoned Arizona could request advances under a multiple access loan ("MAL") during the MAL. On July 11, 2022, in connection with the Loan Agreement, Zoned Arizona paid loan and other fees of $176,472, and in connection with the First Amendment to the Loan Agreement discussed below, paid additional fees of $8,124. These loan and other fees aggregating $184,596 are reflected as a debt discount and are being amortized ratably and charged to interest expense over the term of the related debt.

The proceeds of each advance under the MAL may be used by Zoned Arizona to refinance the real property at 410 S. Madison Drive, Tempe, AZ 85251 (the "Property") or to conduct certain acts related to the acquisition, improvement and maintenance of real property. On termination of the MAL, all unpaid principal, unpaid and accrued interest, and all other amounts due under the MAL will be immediately due and payable.

At any time before July 11, 2023, Zoned Arizona may elect to commence paying principal together with interest on the MAL (the "Early Amortization Election") in accordance with the repayment terms set forth in the variable rate note initially evidencing the MAL, executed by Zoned Arizona in favor of the Bank (the "Note"). If Zoned Arizona makes the Early Amortization Election, then (i) Zoned Arizona will not be entitled to any further advances under the MAL, and (ii) the 25-year amortization schedule referenced in the Note will be from the date Zoned Arizona makes the Early Amortization Election.

The Loan Agreement contains representations, warranties and covenants customary for a transaction of this type. Among other things, the Loan Agreement provides as follows: (a) upon the occurrence of an event of default, the outstanding principal balance of the MAL will not at any time exceed 65% of the Property's most recent appraised value; (b) upon the occurrence of an event of default, Zoned Arizona will maintain a minimum Non-Cannabis Debt Service Coverage Ratio (as hereinafter defined) of 1.40 to 1.00; (c) Zoned Arizona will at all times maintain a minimum debt service coverage ratio of 1.50 to 1.0; and (d) Zoned Arizona and the Company, collectively, will maintain at all times, liquid assets of at least the sum of all tenant securities deposits under leases, plus $350,000 in operating reserves.

Prior to First Amendment executed on December 7, 2022 in which the Company exercised its Early Amortization (see below), all advances under the MAL were to bear interest at a variable rate equal to the greater of (a) the prime rate plus 2%, or (b) a floor rate equal to the sum of the prime rate as of July 11, 2022 plus 2.25%. From July 11, 2022 to July 11, 2023, Zoned Arizona was to make interest payments on the outstanding principal balance of the MAL. From and after July 11, 2023 and continuing until July 11, 2028 (the "Maturity Date"), Zoned Arizona would pay principal together with interest on the MAL in 60 monthly installments based on the interest rate set forth in the Note and a principal amortization schedule of 25 years from July 11, 2023 (or if Zoned Arizona makes the Early Amortization Election, from the date such election is made).

Zoned Arizona may prepay the outstanding principal under the Note, at any time, subject to the provisions of the Note. If Zoned Arizona prepays all, but not less than all, of the outstanding principal balance of the MAL at any time until July 11, 2023, then Zoned Arizona will also pay a premium equal to 1% of the amount prepaid.

On December 7, 2022, Zoned Arizona and the Bank entered into a First Amendment to Loan Agreement (the "First Amendment"). Pursuant to the terms of the First Amendment, Zoned Arizona has elected to make its Early Amortization Election (defined in the First Amendment and Loan Agreement), which election requires Zoned Arizona to commence paying principal and interest on the MAL as set forth in the Amended Note (defined below). Except as provided in the First Amendment, the terms of the Loan Agreement remain in full force and effect. Pursuant to the terms of the Loan Agreement and First Amendment, on December 7, 2022, Zoned Arizona issued an Amended and Restated Promissory Note (the "Amended Note") to the Bank. The Amended Note has an original principal amount of $4,500,000, a 50% loan-to-value as determined by the bank-ordered appraisal completed on the Tempe Property. The Amended Note requires Zoned Arizona to pay monthly principal and interest payments to the Bank at an interest rate equal to the prime rate plus 0.75%. The Amended Note matures 10 years after its effective date and payments are calculated based on a 30-year amortization schedule. In connection with the Amended Note, Zoned Arizona received gross proceeds of $4,500,000 and paid fees of $184,596.

Zoned Arizona may prepay the outstanding principal under the Swap Note, at any time, subject to the provisions of the Swap Note.

Also as previously disclosed, on July 11, 2022 and pursuant to the terms of the Loan Agreement, the Company executed a Guaranty (the "Guaranty") in favor of the Bank, pursuant to which the Company agreed to guarantee all indebtedness of Zoned Arizona to the Bank arising under or in connection with the MAL or any of the loan documents. On December 7, 2022, the Company executed an Acknowledgement of Amendment and Reaffirmation of Guaranty (the "Reaffirmation") in favor of the Bank. The Reaffirmation reaffirms the Guaranty and provides the Company's consent to the First Amendment and Swap Note.

On December 7, 2022, Zoned Arizona and the Bank entered into an Interest Rate Swap Transaction Confirmation (the "Confirmation"). The Confirmation incorporates by reference the 2002 ISDA Master Agreement as published by the International Swaps and Derivatives Association, Inc. as if the parties to the Confirmation executed such agreement in such form. The Confirmation provides the terms and conditions governing the interest rate swap transaction afforded to Zoned Arizona, including a fixed interest rate of 7.65%. The Company recorded the swap at fair value in the consolidated balance sheets with changes in fair value recorded contemporaneously in earnings. The Company has entered into an interest rate swap to mitigate variability in interest payments on its variable-rate debt.

During the year ended December 31, 2022, amortization of debt discount amounted to $1,538.

On December 31, 2022, principal and interest due on the East West Bank Swap Note amounted to $4,485,808 and $28,324, respectively.

Woodward Property Note Payable

On December 5, 2022, in connection with the acquisition of the Woodward Property located in Pleasant Ridge, Michigan, the Company entered into a land contact note in the amount of $1,425,000 (the "Woodward Property Note Payable "). The Woodward Property Note Payable bears interest at 9% per annum and is due in full as follows:

1) 60 monthly payments of principal and interest of $12,821 beginning on January 1, 2023, and

2) A balloon payment of $1,274,117 including the remaining principal and interest on or before December 1, 2028.

On December 31, 2022, principal and interest due on the Woodward Property Note Payable amounted to $1,425,000 and $10,687, respectively.

On December 31, 2022, future principal payments under the notes payable are as follows:

| **Years ending December 31,** | **Amount** |
|---|---|
| 2023 | $ 63,441 |
| 2024 | 69,278 |
| 2025 | 75,451 |
| 2026 | 82,176 |
| 2027 | 89,501 |
| Thereafter | 5,530,961 |
| Total principal payments due on December 31, 2022 | $ 5,910,808 |

**NOTE 9 – CONVERTIBLE NOTE PAYABLE**

On January 9, 2017, the Company issued a convertible debenture (the "Abrams Debenture") in the aggregate principal amount of $2,000,000 in favor of Alan Abrams, who was a significant stockholder of the Company through December 31, 2018, in exchange for cash from Mr. Abrams of $2,000,000. The Abrams Debenture accrues interest at the rate of 6% per annum payable quarterly by the 1st of each quarter and was originally due on January 9, 2022. On January 2, 2019, as part of a Stock Redemption Agreement, the Company and Mr. Abrams entered into an amendment of the Abrams Debenture (the "Debenture Amendment"), pursuant to which the parties agreed to extend the maturity date of the Abrams Debenture from January 9, 2022 to January 9, 2030. Except as set forth herein, the terms of the Abrams Debenture remain in full force and effect.

The Company may prepay the Abrams Debenture at any point after nine months, in whole or in part. Pursuant to the terms of the Abrams Debenture, Mr. Abrams is entitled to convert all or a portion of the principal balance and all accrued and unpaid interest due under the Abrams Debenture into shares of the Company's common stock at a conversion price of $5.00 per share.

If the Company defaults on payment, Mr. Abrams may at his option, extend all conversion rights, through and including the date the Company tenders or attempts to tender payment in full of all amounts due under the Abrams Debenture. Any amount of principal or interest, which is not paid when due shall bear interest at the rate of 12% per annum. Upon an Event of Default (as defined in the Abrams Debenture), Mr. Abrams may (i) declare the entire principal amount and all accrued and unpaid interest under the Abrams Debenture immediately due and payable, and (ii) exercise any and all rights, powers and remedies available to Mr. Abrams at law or in equity or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in the Abrams Debenture and proceed to enforce the payment thereof or any other legal or equitable right of Mr. Abrams.

As of December 31, 2022 and 2021, the principal balance due under the Abrams Debenture is $2,000,000. As of December 31, 2022 and 2021, accrued interest payable due under the Abrams Debenture amounted to $30,000, which is included in accrued expenses on the accompanying consolidated balance sheets. For the years ended December 31, 2022 and 2021, interest expense related to the Abrams Debenture amounted to $120,000.

**NOTE 10 – RELATED PARTY TRANSACTION**

***Convertible notes payable – related party***

On January 9, 2017, the Company issued a convertible debenture (the "McLaren Debenture") in the principal amount of $20,000 in favor of Bryan McLaren, the Company's Chief Executive Officer, Chief Financial Officer, and Chairman of the Board of Directors, in exchange for cash from Mr. McLaren of $20,000. The McLaren Debenture accrued interest at the rate of 6% per annum payable quarterly by the 1st of each quarter and matured on January 9, 2022. Pursuant to the terms of the McLaren Debenture, Mr. McLaren was entitled to convert all or a portion of the principal balance and all accrued and unpaid interest due under this McLaren Debenture into shares of the Company's common stock at a conversion price of $5.00 per share.

On January 7, 2022, the Company repaid this debt and all accrued and unpaid interest due.

As of December 31, 2022 and 2021, the principal balance due under the McLaren Debenture was $0 and $20,000, respectively. As of December 31, 2022 and 2021, accrued interest payable due under the McLaren Debenture was $0 and $5,400, respectively, which is included in accrued expenses – related party on the accompanying consolidated balance sheets.

For the years ended December 31, 2022 and 2021, interest expense – related party amounted to $600 and $1,200, respectively.

***Indemnification agreements***

On August 23, 2021, the Company entered into indemnification agreements with each of its directors and executive officers. In general, these indemnification agreements require the Company to indemnify a director and officer to the fullest extent permitted by law against liabilities that may arise in connection with that director's service as a director and officer for the Company. Additionally, the Company shall advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. In August 2021, the Company did not renew its officers and directors insurance.

**NOTE 11 – STOCKHOLDERS' EQUITY**

***(A) Preferred Stock***

On December 13, 2013, the Board of Directors of the Company authorized and approved the creation of a new class of Preferred Stock consisting of 5,000,000 shares authorized, $.001 par value. The preferred stock is not convertible into any other class or series of stock. The holders of the preferred stock are entitled to fifty (50) votes for each share held. Voting rights are not subject to adjustment for splits that increase or decrease the common shares outstanding. Upon liquidation, the holders of the shares will be entitled to receive $1.00 per share plus redemption provision before assets distributed to other shareholders. The holders of the shares are entitled to dividends equal to common share dividends. As of December 31, 2022 and 2021, there were 2,000,000 shares of preferred stock outstanding. Once any shares of Preferred Stock are outstanding, at least 51% of the total number of shares of Preferred Stock outstanding must approve the following transactions:

a. Alter or change the rights, preferences or privileges of the Preferred Stock.

b. Create any new class of stock having preferences over the Preferred Stock.

c. Repurchase any of our common stock.

d. Merge or consolidate with any other company, except our wholly owned subsidiaries.

e. Sell, convey or otherwise dispose of, or create or incur any mortgage, lien, or charge or encumbrance or security interest in or pledge of, or sell and leaseback, in all or substantially all our property or business.

f. Incur, assume or guarantee any indebtedness maturing more than 18 months after the date on which it is incurred, assumed or guaranteed by us, except for operating leases and obligations assumed as part of the purchase price of property.

***(B) Common stock issued for services***

2021

On January 31, 2021, the Company issued an aggregate of 130,000 shares of common stock to members of the Company's board of directors for services rendered. The shares were valued at their aggregate fair value of $52,000 using the quoted per share price on the date of grant of $0.40. In connection with these grants, in January 2021, the Company recorded stock-based compensation expense of $52,000 which is included in compensation and benefits on the consolidated statements of operations.

***(C) Shares issued for intangible assets***

On April 1, 2021, the Company's subsidiary, Arizona Brokerage, entered in an engagement letter for real estate brokerage services with a consultant for a guaranteed term of one year (the "Guaranteed Term"). During the Guaranteed Term, neither party may terminate the engagement letter, except for "Cause" as defined in the engagement letter. In connection with the engagement letter, the Company issued 60,000 shares of its common stock for the acquisition of brokerage materials and active real estate listings. In the event of termination of the engagement letter due to Cause with respect to the consultant, the consultant must return to the Company a portion of the stock equal to the remaining portion of the Guaranteed Term. The shares were valued at their fair value of $37,800 using the quoted per share price on the date of grant of $0.63. In connection with these shares, on April 1, 2021, the Company recorded an intangible asset of $37,800 which was amortized over the one-year term of the engagement letter.

***(D) Equity incentive plans***

On August 9, 2016, the Company's Board of Directors authorized the 2016 Equity Incentive Plan (the "2016 Plan") and reserved 10,000,000 shares of common stock for issuance thereunder. The 2016 Plan was approved by shareholders on November 21, 2016. The 2016 Plan's purpose is to encourage ownership in the Company by employees, officers, directors and consultants whose long-term service the Company considers essential to its continued progress and, thereby, encourage recipients to act in the stockholders' interest and share in the Company's success. The 2016 Plan authorizes the grant of awards in the form of options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, options that do not qualify (non-statutory stock options) and grants of restricted shares of common stock. Restricted shares granted pursuant to the 2016 Plan are amortized to expense over the vesting period. Options vest and expire over a period not to exceed seven years. If any share of common stock underlying a stock option that has been granted ceases to be subject to a stock option, or if any shares of common stock that are subject to any other stock-based award granted are forfeited or terminate, such shares shall again be available for distribution in connection with future grants and awards under the 2016 Plan. As of December 31, 2022, 1,102,500 stock option awards are outstanding and 367,500 options are exercisable under the 2016 Plan. As of December 31, 2021, 325,000 stock option awards are outstanding and 125,000 options are exercisable under the 2016 Plan. As of December 31, 2022 and 2021, 8,897,500 and 9,675,000 shares, respectively, were available for future issuance.

The Company also continues to maintain its 2014 Equity Compensation Plan (the "2014 Plan"), pursuant to which 1,250,000 previously awarded stock options are outstanding. The 2014 Plan has been superseded by the 2016 Plan. Accordingly, no additional shares subject to the existing 2014 Plan will be issued and the 1,250,000 shares issuable upon exercise of stock options will be issued pursuant to the 2014 Plan, if exercised. As of December 31, 2022, options to purchase 1,250,000 shares of common stock are outstanding and 1,200,000 options are exercisable pursuant to the 2014 Plan.

***(E) Stock options***

On January 1, 2021, the Company granted a consultant, now President and Chief Operating Officer, of the Company as of July 1, 2021, an option, pursuant to the 2016 Plan, to purchase 125,000 of the Company's common stock at an exercise price of $1.00 per share. The grant date of the option was January 1, 2021 and the option expires on January 1, 2031. The option vests as to (i) 25,000 of such shares on January 1, 2021; and (ii) as to 10,000 of such shares on January 1, 2022 and each year thereafter through January 1, 2031. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%; expected volatility of 117%; risk-free interest rate of 0.93%; and an estimated holding period of 10 years. In connection with these options, the Company valued these options at a fair value of $48,677 and will record stock-based compensation expense over the vesting period.

On July 1, 2021, the Company entered into a 12-month engagement with an individual to act as the Company's Director of Real Estate. In connection with this engagement letter, on July 1, 2021, the Company granted the consultant an option, pursuant to the 2016 Plan, to purchase 125,000 of the Company's common stock at an exercise price of $1.00 per share. The grant date of the option was July 1, 2021 and the option expires on July 1, 2031. The option vests as to (i) 25,000 of such shares on July 1, 2021; and (ii) as to 10,000 of such shares on July 1, 2022 and each year thereafter through July 1, 2031. The vesting of the Option pursuant to the Vesting Schedule hereof is earned only by continuing as a service provider at the will of the Company. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%; expected volatility of 119%; risk-free interest rate of 1.48%; and an estimated holding period of 10 years. In connection with these options, the Company valued these options at a fair value of $69,677 and will record stock-based compensation expense over the vesting period.

In January 2022, the Company's Board of Directors unanimously agreed to stop receiving any direct stock issuance or cash payments related to their compensation for services on the Company's Board of Directors. The Company and its Directors believe it is in the Company's best interest to transition Directors compensation to a multi-year stock option plan. Accordingly, on January 21, 2022, the Company granted stock options to purchase an aggregate of 525,000 of the Company's common stock at an exercise price of $0.78 per share to members of the Company's board of directors pursuant to the 2016 Plan. The grant date of the stock options was January 21, 2022 and the options expire on January 21, 2032. The stock option shall vest in equal quarterly installments, with the first installment of 43,750 stock options vesting on January 20, 2022, and 43,750 stock options vesting each quarter through October 21, 2024. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%; expected volatility of 108.7%; risk-free interest rate of 1.54%; and an estimated holding period of 6 years. In connection with these options, the Company valued these stock options at a fair value of $345,173 and will record stock-based compensation expense over the vesting period.

On January 21, 2022, the Company granted a stock option to purchase 75,000 of the Company's common stock at an exercise price of $1.00 per share to the Company's President and Chief Operating Officer pursuant to the 2016 Plan. The grant date of the stock option was January 21, 2022 and the options expire on January 21, 2032. The option vests as to (i) 15,000 of such shares on January 21, 2022; and (ii) as to 7,500 of such shares on January 21, 2023 and each year thereafter through January 21, 2032. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%; expected volatility of 112.3%; risk-free interest rate of 1.75%; and an estimated holding period of 10 years. In connection with these options, the Company valued these stock options at a fair value of $55,334 and will record stock-based compensation expense over the vesting period.

On April 1, 2022, the Company granted a stock option to purchase 52,500 of the Company's common stock at an exercise price of $1.00 per share to an employee of the Company pursuant to the 2016 Plan. The grant date of the stock option was April 1, 2022 and the option expires on October 1, 2031. The option vests as to (i) 2,500 of such shares on April 1, 2022; and (ii) as to 5,000 of such shares on October 1, 2022 and each year thereafter through October 1, 2031. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%; expected volatility of 110.76%; risk-free interest rate of 2.39%; and an estimated holding period of 10 years. The Company valued this stock option at a fair value of $37,660 and will record stock-based compensation expense over the vesting period.

On July 1, 2022, the Company granted a stock option to purchase 125,000 of the Company's common stock at an exercise price of $1.00 per share to the Company's Chief Legal Officer and Chief Compliance Officer pursuant to the 2016 Plan. The grant date of the stock option was July 1, 2022 and the option expires on July 1, 2032. The option vests as to (i) 25,000 of such shares on July 1, 2022; and (ii) as to 10,000 of such shares on July 1, 2023 and each year thereafter through July 1, 2032. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%; expected volatility of 109.83%; risk-free interest rate of 2.88%; and an estimated holding period of 10 years. The Company valued this stock option at a fair value of $82,420 and will record stock-based compensation expense over the vesting period.

For the years ended December 31 2022 and 2021, in connection with the accretion of stock-based option expense, the Company recorded stock option expense over the vesting period of $336,755 and $56,180, respectively. As of December 31, 2022, there were 2,352,500 options outstanding and 1,567,500 options vested and exercisable. As of December 31, 2022, there was $276,167 of unvested stock-based compensation expense to be recognized through September 2031. The aggregate intrinsic value on December 31, 2022 was $400 and was calculated based on the difference between the quoted share price on December 31, 2022 of $0.75 and the exercise price of the underlying options.

Stock option activities for the years ended December 31, 2022 and 2021 are summarized as follows:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Balance Outstanding December 31, 2020 | 1,325,000 | $ 0.99 | 4.85 | $ - |
| Granted | 250,000 | | | |
| Balance Outstanding December 31, 2021 | 1,575,000 | 0.99 | 4.71 | 1,400 |
| Granted | 777,500 | 0.85 | | - |
| Balance Outstanding December 31, 2022 | 2,352,500 | $ 0.95 | 5.46 | $ 400 |
| Exercisable, December 31, 2022 | 1,567,500 | $ 0.97 | 3.94 | $ 400 |
| | | | | |
| Balance non-vested on December 31, 2021 | 275,000 | $ 1.00 | - | $ - |
| Granted | 777,500 | 0.85 | - | - |
| Vested during the period | (267,500) | 0.86 | - | - |
| Balance non-vested on December 31, 2022 | 785,000 | $ 0.90 | 8.60 | $ - |

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

***Legal matters***

From time to time, the Company may be involved in litigation related to claims arising out of its operations in the normal course of business. As of December 31, 2022 and 2021, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations, or cash flows.

***Employment and Related Golden Parachute Agreement***

On May 23, 2018, the Company and Mr. McLaren, the Company's Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors, agreed to replace Mr. McLaren's 2014 employment agreement with a new employment agreement dated May 23, 2018 (the "2018 Employment Agreement"). Pursuant to the terms of the 2018 Employment Agreement, the Company agreed to continue to pay Mr. McLaren his then-current base annual salary of $215,000, and to award Mr. McLaren with an annual and/or quarterly bonus payable in either cash and/or equity of no less than 2% of the Company's net income for the associated period.

The 2018 Employment Agreement has a term of 10 years. The term and Mr. McLaren's employment will terminate (a "Termination") in any of the following circumstances:

(i) immediately, if Mr. McLaren dies;

(ii) immediately, if Mr. McLaren receives benefits under the long-term disability insurance coverage then provided by the Company or, if no such insurance is in effect, upon Mr. McLaren's disability;

(iii) on the expiration date, as the same may be extended by the parties by written amendment to the 2018 Employment Agreement prior to the occasion thereof;

(iv) at the option of the Company for Cause (as defined in the 2018 Employment Agreement) upon the Company's provision of written notice to Mr. McLaren of the basis for such Termination;

(v) at the option of the Company, without Cause;

(vi) by Mr. McLaren at any time with Good Reason (as defined in the 2018 Employment Agreement), upon 30 days' prior written notice to the Company delivered not later than within 90 days of the existence of the condition therefor; or

(vii) by Mr. McLaren at any time without Good Reason, upon not less than three months' prior written notice to the Company.

In the event of a Termination for any reason or for no reason whatsoever, or upon the expiration date of the 2018 Employment Agreement, whichever comes first, all rights and obligations under the 2018 Employment Agreement shall cease (i) as to the Company, except for the Company's obligations for the payment of applicable severance benefits thereunder, and for indemnification thereunder, and (ii) as to Mr. McLaren, except for his obligation under the restrictive covenants in the 2018 Employment Agreement.

The Company and Mr. McLaren also entered into a Golden Parachute Agreement (the "Golden Parachute Agreement") on May 23, 2018. No benefits shall be payable under the Golden Parachute Agreement unless there shall have been a change in control of the Company, as set forth below. For purposes of the Golden Parachute Agreement, amongst other terms in the Golden Parachute Agreement, a "change in control of the Company" shall mean a change of control of a nature that would be required to be reported in response to Item 6 of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended.

For purposes of the Golden Parachute Agreement, "Cause" means termination upon (a) the willful and continued failure to substantially perform duties with the Company after a written demand for substantial performance is delivered by the Board, which demand specifically identifies the manner in which the Board believes that duties have not substantially been performed, or (b) the willful engaging in conduct, which is demonstrably and materially injurious to the Company, monetarily or otherwise.

For purposes of the Golden Parachute Agreement, "Good Reason" means, without express written consent, the occurrence after a change in control of the Company of any of the following circumstances unless, such circumstances are fully corrected prior to the date of Termination specified in the notice of Termination:

(a) a material diminution in Mr. McLaren's authority, duties or responsibility from those in effect immediately prior to the change in control of the Company;

(b) a material diminution in Mr. McLaren's base compensation;

(c) a material change in the geographic location at which Mr. McLaren performs his duties;

(d) a material diminution in the authority, duties, or responsibilities of the supervisor to whom Mr. McLaren is required to report, including a requirement that Mr. McLaren report to a corporate officer or employee instead of reporting directly to the Board;

(e) a material diminution in the budget over which Mr. McLaren retains authority;

(f) a material breach under any agreement with the Company to continue in effect any bonus to which Mr. McLaren was entitled, or any compensation plan in which Mr. McLaren participates immediately prior to the change in control of the Company which is material to Mr. McLaren's total compensation;

(g) a material breach under any agreement with the Company to provide Mr. McLaren benefits substantially similar to those enjoyed by him under any of the Company's life insurance, medical, health and accident, or disability plans in which he was participating at the time of the change in control of the Company, the failure to continue to provide Mr. McLaren with a Company automobile or allowance in lieu of it, if Mr. McLaren was provided with such an automobile or allowance in lieu of it at the time of the change of control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive him of any material fringe benefit enjoyed by him at the time of the change in control of the Company, or the failure by the Company to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the change in control of the Company;

Following a change in control of the Company, upon termination of Mr. McLaren's employment or during a period of disability, Mr. McLaren will be entitled to the following benefits:

(i) During any period that he fails to perform his full-time duties with the Company as a result of incapacity due to physical or mental illness, Mr. McLaren will continue to receive his base salary at the rate in effect at the commencement of any such period, together with all amounts payable to him under any compensation plan of the Company during such period, until the Golden Parachute Agreement is terminated.

(ii) If Mr. McLaren's employment is terminated by the Company for Cause or by Mr. McLaren other than for Good Reason, disability, death or retirement, the Company will pay Mr. McLaren his full base salary through the date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which he is entitled under any compensation plan of the Company at the time such payments are due.

(iii) If employment by the Company shall be terminated (a) by the Company other than for Cause, death or disability or (b) by Mr. McLaren for Good Reason, Mr. McLaren will be entitled to benefits provided below:

a. The Company will pay Mr. McLaren his full base salary through the date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which he is entitled under any compensation plan of the Company.

b. In lieu of any further salary payments to Mr. McLaren for periods subsequent to the date of Termination, the Company will pay as severance pay to Mr. McLaren a lump sum severance payment (together with the payments provided in clause I(c) and (d) below) equal to five times the sum of his annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the notice of Termination given in respect of them.

c. The Company will pay to Mr. McLaren any deferred compensation allocated or credited to him or his account as of the date of Termination.

d. In lieu of shares of common stock of the Company issuable upon exercise of outstanding options, if any, granted to Mr. McLaren under the Company's stock option plans (which options shall be cancelled upon the making of the payment referred to below), Mr. McLaren will receive an amount in cash equal to the product of (i) the excess of the closing price of the Company's common stock as reported on or nearest the date of Termination (or, if not so reported, on the basis of the average of the lowest asked and highest bid prices on or nearest the date of Termination), over the per share exercise price of each option held by Mr. McLaren (whether or not then fully exercisable) plus the amount of any applicable cash appreciation rights, times (ii) the number of the Company's common stock covered by each such option.

e. The Company will also pay to Mr. McLaren all legal fees and expenses incurred by him as a result of such Termination.

On July 23, 2022, the Board of Directors of the Company appointed Berekk Blackwell, the Company's Chief Operating Officer, as President of the Company, effective immediately. On July 26, 2022, the Company entered into an employment agreement, effective July 1, 2022, with Mr. Blackwell (the "Blackwell Employment Agreement"). Pursuant to the terms of the Blackwell Employment Agreement, the Company agreed to pay Mr. Blackwell a base annual salary of $150,000 for his services as President and Chief Operating Officer. The Company may also award Mr. Blackwell discretionary cash and/or equity bonuses. The Blackwell Employment Agreement has a term of one year, expiring on July 1, 2023. During the initial term, neither party may terminate the Blackwell Employment Agreement except for Cause (as defined in the Blackwell Employment Agreement).

***401(k) Plan***

On September 29, 2021, the Company's board of directors adopted the Zoned Properties 401(k) Plan (the "Plan") effective January 1, 2021. The Company contributes a matching contribution to the Plan for each employee in an amount equal to 100% of the matched employee contributions that are not in excess of 4% of the employee's plan compensation. For the years ended December 31, 2022 and 2021, the Company contributed $22,317 and $907 to the Plan, respectively.

***Real Property Purchase***

Effective October 5, 2022, ZPRE Holdings, a wholly owned subsidiary of the Company, and Neal Bradley Starr (the "Stone Property Seller") entered into the Purchase and Sale Agreement and Joint Escrow Instructions (the "Purchase Agreement"). Pursuant to the terms of the Purchase Agreement and subject to the conditions therein, ZPRE Holdings agreed to buy from the Stone Property Seller certain real property and improvements thereon located in Tucson, Arizona, as more particularly described in the Purchase Agreement (the "Stone Property"). The Purchase Agreement contains terms and conditions customary to commercial real estate transactions in Arizona. Effective January 17, 2023, pursuant to the terms of the Purchase Agreement, ZPRE Holdings elected to terminate the Purchase Agreement and the Purchase Agreement is of no further force or effect, except for those obligations and rights which survive its termination.

***Master Agreement***

On November 29, 2022, ZP Woodward, the Woodward Assignor, Ammar Kattoula and Thomas Nafso entered into a Master Agreement for the rights for the Purchase and Sale (the "Master Agreement") of the Woodward Property. To the extent not superseded by the Option Agreement, the Master Agreement sets forth the terms and conditions upon which ZP Woodward would acquire the Woodward Property.

The Master Agreement provides for the discretionary and mandatory purchase by the Woodward Assignor of a minority interest in ZP Woodward, where (i) for a period of 1 year following the closing of the Master Agreement, the Woodward Assignor or an entity controlled by its principals may acquire 25% membership interest in ZP Woodward for the price, in cash, of $600,000 plus interest at a rate of 12% per annum starting on the closing date of the Master Agreement and ending on the date of closing of the discretionary purchase; and (ii) if at any time following the closing date of the Master Agreement, ZP RE Holdings, LLC or another entity controlled by the Company acquires certain real property located in Grand Rapids, Michigan owned by the Woodward Assignor's affiliate, more particularly described in the Master Agreement, for a purchase price of not more than $1,160,000, then following such closing ZP Woodward will grant the Woodward Assignor (or its permitted designee) 25% membership interest in ZP Woodward.

**NOTE 13 – SEGMENT REPORTING**

Prior to January 1, 2022, the Company determined that its properties had similar economic characteristics to be aggregated into one reportable segment (operating, leasing and managing commercial properties, and advisory and brokerage services related to commercial properties). The Company's determination was based primarily on its method of internal reporting. Beginning on January 1, 2022, the Company changed its method of internal reporting and determined that the Company operates in two reportable segments which consists of (1) the operations, leasing and management of its leased commercial properties, herein known as the "Property Investment Portfolio" segment, and (2) advisory and brokerage services related to commercial properties, herein known as the "Real Estate Services" segment. The Company has determined that these reportable segments were strategic business units that offer different products. Currently, these reportable segments are being managed separately based on the fundamental differences in their operations.

Information with respect to these reportable business segments for the years ended December 31, 2022 and 2021 was as follows:

| | For the Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Revenues: | | |
| Property investment portfolio | $ 1,795,719 | $ 1,261,059 |
| Real estate services | 864,371 | 559,426 |
| | 2,660,090 | 1,820,485 |
| Depreciation and amortization: | | |
| Property investment portfolio | 351,043 | 358,294 |
| Real estate services | 9,450 | 28,350 |
| | 360,493 | 386,644 |
| Interest expense: | | |
| Property investment portfolio | 161,150 | 121,200 |
| Real estate services | - | - |
| | 161,150 | 121,200 |
| | | |
| Loss from unconsolidated joint ventures: | | |
| Property investment portfolio | 16,261 | 27,476 |
| Real estate services | - | - |
| | 16,261 | 27,476 |
| Net loss: | | |
| Property investment portfolio (a) | (324,725) | (342,103) |
| Real estate services | (249,630) | 176,284 |
| | $ (574,355) | $ (165,819) |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Identifiable long-lived tangible assets on December 31, 2022 and 2021 by segment | | |
| Property investment portfolio | $ 8,399,964 | $ 6,455,383 |
| Real estate services | - | - |
| | $ 8,399,964 | $ 6,455,383 |

(a) Operating expenses and other expenses of the Company's holding company that were not allocated to the real estate services segment are included in the property investment portfolio segment.

**NOTE 14 – OPERATING LEASE RIGHT-OF-USE ("ROU") ASSETS AND OPERATING LEASE LIABILITY**

On March 15, 2022, the Company entered to an Assumption of Lease and Consent Agreement with a landlord, whereby the landlord consented to the assignment of an office lease, as amended, from the original tenant to the Company. The lease term shall begin on March 15, 2022 and expire on November 30, 2024, provided the Company has the option to extend the lease for an additional five years. The monthly base rent shall be $2,932 per month through November 30, 2021, $3,005 from December 1, 2022 through November 30, 2023, and $3,078 from December 1, 2023 through November 30, 2024.

In adopting ASC Topic 842, Leases (Topic 842) on January 1, 2019, the Company had elected the 'package of practical expedients', which permitted it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs (see Note 2). In addition, the Company elected not to apply ASC Topic 842 to arrangements with lease terms of 12 month or less. Since the terms of the Company's operating lease for its office space prior to March 15, 2022 was 12 months or less on the date of adoption, pursuant to ASC 842, the Company determined that the lease met the definition of a short-term lease, and the Company did not recognize the right-of use asset and lease liability arising from this lease. Upon signing of the Assumption of Lease and Consent Agreement on March 15, 2022, the Company analyzed the new lease and determined it is required to record a lease liability and a right of use asset on its consolidated balance sheet, at fair value.

For the years ended December 31, 2022 and 2021, in connection with its operating leases, the Company recorded rent expense of $33,708 and $17,455, respectively. which is included in operating expenses on the accompanying consolidated statements of operations.

The significant assumption used to determine the present value of the lease liability in March 2022 was a discount rate of 6% which was based on the Company's incremental borrowing rate.

On December 31, 2022, right-of-use asset ("ROU") is summarized as follows:

| | December 31, 2022 |
|---|---|
| Office lease right of use asset | $ 90,710 |
| Less: accumulated amortization | (25,329) |
| Balance of ROU assets | $ 65,381 |

On December 31, 2022, future minimum base lease payments due under a non-cancelable operating lease are as follows:

| Year ended December 31, | Amount |
|---|---|
| 2023 | $ 36,133 |
| 2024 | 33,861 |
| Total minimum non-cancelable operating lease payments | 69,994 |
| Less: discount to fair value | (4,053) |
| Total lease liability on December 31, 2022 | $ 65,941 |

**NOTE 15 - INCOME TAXES**

The Company maintains deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax assets on December 31, 2022 and 2021 consist of net operating loss carryforwards. The net deferred tax asset has been fully offset by a valuation allowance because of the uncertainty of the attainment of future taxable income.

The items accounting for the difference between income taxes at the effective statutory rate and the provision for income taxes for the years ended December 31, 2022 and 2021 were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Income tax benefit at U.S. statutory rate | $ (120,615) | $ (34,822) |
| Income tax benefit – state | (37,333) | (10,778) |
| Non-deductible expenses | 93,334 | 16,192 |
| Change in valuation allowance | 64,614 | 29,408 |
| Total provision for income tax | $ - | $ - |

The Company's approximate net deferred tax asset as of December 31, 2022 and 2021 was as follows:

| Deferred Tax Asset: | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| Net operating loss carryforward | $ 579,194 | $ 514,580 |
| Net deferred tax assets before valuation allowance | 579,194 | 514,580 |
| Valuation allowance | (579,194) | (514,580) |
| Net deferred tax asset | $ - | $ - |

The net operating loss carryforward was approximately $2,106,000 on December 31, 2022. The Company provided a valuation allowance equal to the net deferred income tax asset as of December 31, 2022 and 2021 because it was not known whether future taxable income will be sufficient to utilize the loss carryforward. Additionally, the future utilization of the net operating loss carryforward to offset future taxable income is subject to an annual limitation as a result of ownership changes that may occur in the future. The 2017 estimated loss carry forward of approximately $1,488,189 expires on December 31, 2037. Subsequent to 2017, all estimated loss carry forwards may be carried forward indefinitely subject to annual usage limitations. Based on the Company's analysis to determine the limitation on the utilization of its net operating loss carryforward amounts, in 2018, the deferred tax asset was reduced by any carryforward that cannot be utilized or expires prior to utilization as a result of such limitations, with a corresponding reduction of the valuation allowance. In 2022, the valuation allowance increased by $64,614. The potential tax benefit arising from certain loss carryforwards will expire in 2042.

The Company does not have any uncertain tax positions or events leading to uncertainty in a tax position. The Company's 2022, 2021, 2020 and 2019 Corporate Income Tax Returns are subject to Internal Revenue Service examination.

**NOTE 16 – SUBSEQUENT EVENTS**

As previously disclosed in the Current Report on Form 8-K filed on October 12, 2022 (the "Prior 8-K") by the Company, effective October 5, 2022, ZP RE Holdings, LLC ("ZPRE"), a wholly owned subsidiary of the Company, and Neal Bradley Starr (the "Stone Property Seller") entered into the Purchase and Sale Agreement and Joint Escrow Instructions (the "Purchase Agreement"). Pursuant to the terms of the Purchase Agreement and subject to the conditions therein, ZPRE agreed to buy from the Stone Property Seller certain real property and improvements thereon located in Tucson, Arizona, as more particularly described in the Purchase Agreement.

Effective January 17, 2023, pursuant to the terms of the Purchase Agreement, ZPRE elected to terminate the Purchase Agreement and the Purchase Agreement is of no further force or effect, except for those obligations and rights which survive its termination.

On February 24, 2023, ZP Woodward entered into a Land Contract, dated February 24, 2023, by and between Gangnier Investments LLC (the "Gangnier") and ZP Woodward (the "23634 Land Contract"). Pursuant to the terms of the 23634 Land Contract, Gangnier agreed to sell to ZP Woodward certain real property located at 23634 Woodward Avenue, Pleasant Ridge, Michigan ("23634 Woodward") for the purchase price of $755,984, comprised of $85,894 of cash, $240,000 of previously paid escrow deposits and a land contract note payable of $430,000 (the "23634 Land Contract Note"). The 23634 Land Contract Note Payable accrues interest at the rate of 7% and is payable in 48 monthly installments of $3,865, beginning April 1, 2023, until the purchase price and interest are fully paid, provided that such purchase price and all interest will be fully paid on or before March 31, 2027.

There is no prepayment penalty. The 23634 Land Contract contains terms and conditions typically stated in similar land contract or installment sale contracts.

On February 27, 2023, ZP Woodward acquired a fee interest in 23600 Woodward Avenue, Pleasant Ridge, Michigan for the purchase price of $1,253,070, comprised of $903,070 of cash and $350,000 of previously paid deposits and assignment fees and, as of such date, ZP Woodward has acquired the property interests in the Woodward Property contemplated in the Option Agreement and Master Agreement.

The Parking Lots properties consist of approximately 15,246 square feet of land with approximately 3,463 square feet of rentable buildings space and approximately 7,872 square feet of covered parking.

**Exhibit 4.1**

# DESCRIPTION OF SECURITIES

The following discussion summarizes the material terms of our common stock and preferred stock. This discussion does not purport to be complete and is qualified in its entirety by reference to our articles of incorporation, as amended, and our bylaws.

## General

### *Authorized Capital Stock*

As of March 28, 2023, our authorized capital stock consists of 100,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.001 par value per share.

### *Common Stock*

Holders of the Company's common stock are entitled to one vote for each share on all matters submitted to a stockholder vote. Holders of common stock do not have cumulative voting rights. Holders of the Company's common stock are entitled to share in all dividends that our board of directors, in its discretion, declares from legally available funds. In the event of a liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock. The Company's common stock has no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to the Company's common stock.

### *Preferred Stock*

Our articles of incorporation, as amended, authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time one or more classes or series of preferred stock. Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders.

The certificate of designation for the preferred stock provides that the shares are not convertible into any other class or series of stock. Holders of preferred shares are entitled to 50 votes for each share held. Voting rights are not subject to adjustment for splits that increase or decrease the common shares outstanding. Upon liquidation, holders of preferred stock will be entitled to receive $1.00 per share plus redemption provision before assets are distributed to other stockholders. Holders of preferred shares are entitled to dividends equal to common share dividends. Once any shares of preferred stock are outstanding, at least 51% of the total number of shares of preferred stock outstanding must approve the following transactions:

- alteration of the rights, preferences of privileges of the preferred stock,
- creation of any new class of stock having preferences over the preferred stock,
- repurchase of any of our common stock,
- merger of consolidation with any other company, other than one of our wholly owned subsidiaries,
- sale, conveyance or other disposal of, or creation or incurrence of any mortgage, lien, or charge or encumbrance or security interest in or pledge of, or sale and leaseback of, all or substantially all of our property or business, or
- incurrence, assumption or guarantee of any indebtedness maturing more than 18 months after the date on which it is incurred, assumed or guaranteed by us, except for operating leases and obligations assumed as part of the purchase price of property.

Holders of a majority of the voting power of our capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of stockholders. A vote by the holders of a majority of our outstanding voting shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our articles of incorporation.

Holders of preferred shares vote along with common stockholders on each matter submitted to a vote of security holders. As a result of the multiple votes accorded to holders of the preferred stock, Greg Johnston and Alex McLaren have the ability to control the outcome of all matters submitted to a vote of stockholders, including the election of directors. On those matters that require the approval of at least 51% of the preferred stock, both Mr. Johnston and Mr. McLaren must provide their approval inasmuch as each of them owns 50% of the outstanding preferred stock.

**Dividends**

Historically, we have not paid any cash dividends on our common stock. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest cash flow and earnings, if any, in our business operations. However, in the future, our board of directors may declare dividends on our common stock. Payment of future dividends on our common stock, if any, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. In addition, the agreements into which we may enter in the future, including indebtedness, may impose limitations on our ability to pay dividends or make other distributions on our capital stock. We cannot guarantee that we will pay dividends to our stockholders in the future.

Holders of preferred shares are entitled to dividends equal to common share dividends.

**Anti-Takeover Effects of Certain Provisions of Our Articles of Incorporation, as Amended, and Our Bylaws**

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

*Preferred Stock.* Our articles of incorporation, as amended, authorize our board of directors to issue from time to time any series of preferred stock and fix the voting powers, designation, powers, preferences and rights of the shares of such series of preferred stock.

*Calling of Special Meetings of Stockholders.* Our bylaws provide that special meetings of the stockholders may be called only by the chairman of the board or the chief executive officer, and shall be called by the chairman of the board or the secretary (i) when so directed by the board, or (ii) at the written request of stockholders owning shares representing at least 25% of voting power in the election of directors.

*Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our bylaws establish an advance notice procedure for stockholder proposals to be brought before a meeting of our stockholders, including proposed nominations of persons for election to the board of directors.

*Removal of Directors; Vacancies.* Our bylaws provide that a director may be removed from office by stockholders for cause, or without cause by a majority vote of the stockholders. A vacancy on the board of directors may be filled only by a majority of the directors then in office.

**Exhibit 21.1**

**SUBSIDIARIES**

| Subsidiary Name | Jurisdiction of Incorporation |
|---|---|
| Green Valley Group, LLC | Arizona |
| Kingman Property Group, LLC | Arizona |
| Chino Valley Properties, LLC | Arizona |
| Zoned Arizona Properties, LLC | Arizona |
| Zoned Advisory Services, LLC | Arizona |
| Zoned Properties Brokerage, LLC | Arizona |
| ZP Data Platform 1, LLC | Arizona |
| ZP Data Platform 2, LLC | Arizona |
| ZP RE Holdings, LLC | Arizona |
| ZP RE AZ Stone, LLC | Arizona |
| ZP Brokerage MS, LLC | Mississippi |
| ZP Brokerage FL, LLC | Florida |
| ZP Brokerage AL, LLC | Alabama |
| ZP RE MI Woodward, LLC | Michigan |
| ZP Brokerage MO, LLC | Missouri |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference to the Registration Statement on Form S-8 (File No. 333-213150) of Zoned Properties, Inc. of our report dated March 28, 2023, relating to the consolidated financial statements of Zoned Properties, Inc. which appear in this Form 10-K.

/s/ D. Brooks and Associates CPAs, P.A.

D. Brooks and Associates CPAs, P.A.
Palm Beach, FL
March 28, 2023

**Exhibit 31.1**

**Certifications**

I, Bryan McLaren, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022 of Zoned Properties, Inc.;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 28, 2023

*/s/ Bryan McLaren*

Bryan McLaren
(Chief Executive Officer)
(principal executive officer)

**Exhibit 31.2**

**Certifications**

I, Bryan McLaren, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022 of Zoned Properties, Inc.;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 28, 2023

*/s/ Bryan McLaren*

Bryan McLaren
Chief Financial Officer
(principal financial officer)

**Exhibit 32.1**

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

In connection with the annual report of Zoned Properties, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan McLaren, Chief Executive Officer, President and Chief Financial Officer of the Company, certify to the best of my knowledge:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2023

*/s/ Bryan McLaren*
Bryan McLaren
Chief Executive Officer and
Chief Financial Officer
(principal executive officer and
principal financial officer)