

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 000-55450

MEDICINE MAN TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

46-5289499
(I.R.S. Employer Identification No.)

4880 Havana Street
Suite 201
Denver, Colorado 80239
(Address of principal executive offices)

(303) 371-0387
(Issuer's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act: **None**

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	OTCQX

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 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 the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

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

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

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

As of November 8, 2018, the Registrant had 27,578,310 shares of Common Stock issued and outstanding.

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CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon our current assumptions, expectations and beliefs concerning future developments and their potential effect on our business. In some cases, you can identify forward-looking statements by the following words: “may,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “approximately,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing,” or the negative of these terms or other comparable terminology, although the absence of these words does not necessarily mean that a statement is not forward-looking. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements.

Factors that may cause or contribute actual results to differ from these forward-looking statements include, but are not limited to, for example:

- adverse economic conditions;
- the inability to attract and retain qualified senior management and technical personnel;
- other risks and uncertainties related to the cannabis market and our business strategy.

All forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements or other information contained herein. Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this report are reasonable, we cannot assure stockholders and potential investors that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from expectations under “Risk Factors” in our Form 10-K. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Considering these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether because of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

MEDICINE MAN TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
Expressed in U.S. Dollars

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 529,674	\$ 748,715
Accounts receivable	1,009,170	461,343
Accounts receivable - related party	53,839	25,719
Litigation receivable	990,864	–
Short-term note receivable, net of allowance	188,550	191,111
Inventory	441,960	106,091
Other assets	34,582	42,819
Total current assets	<u>3,248,639</u>	<u>1,575,798</u>
Non-current assets		
Fixed assets, net accumulated depreciation of \$131,405 and \$82,038	\$ 84,493	\$ 150,047
Intangible assets, net accumulated amortization of \$12,275 and \$7,388	82,825	87,712
Goodwill	12,304,306	9,304,306
Investment	5,260,840	–
Other non-current assets	26,317	14,500
Total non-current assets	<u>17,758,781</u>	<u>9,556,565</u>
Total assets	<u><u>\$ 21,007,420</u></u>	<u><u>\$ 11,132,363</u></u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 172,360	\$ 123,251
Accounts payable - related party	53,000	155,177
Accrued expenses	47,684	–
Other liabilities	–	56,495
Total current liabilities	<u>273,044</u>	<u>334,923</u>
Long-term liabilities		
Note payable - related party	\$ –	\$ 58,280
Total long-term liabilities	<u>–</u>	<u>58,280</u>
Total liabilities	<u>273,044</u>	<u>393,203</u>
Commitments and contingencies, note 13		
Shareholders' equity		
Common stock \$0.001 par value. 90,000,000 authorized, 27,578,310 and 22,991,137 were issued and outstanding September 30, 2018 and December 31, 2017, respectively	\$ 28,766	\$ 23,113
Additional paid-in capital	20,283,174	13,997,441
Additional paid-in capital - Warrants	2,054,369	3,508,256
Accumulated other comprehensive (loss)	–	–
Retained earnings	(1,631,933)	(6,789,650)
Total shareholders' equity (deficit)	<u>20,734,376</u>	<u>10,739,160</u>
Total liabilities and stockholders' equity	<u><u>\$ 21,007,420</u></u>	<u><u>\$ 11,132,363</u></u>

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) AND INCOME
For the Three and Nine Months Ended September 30, 2018 and 2017
Expressed in U.S. Dollars

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operating revenues				
Product sales, net	\$ 280,737	\$ 278,495	\$ 797,381	\$ 506,900
Product sales - related party, net	143,761	61,768	425,499	184,711
Litigation revenue	180,000	-	1,015,154	-
Cultivation Max	88,933	-	304,090	-
Master licensing fees	3,518,322	-	3,518,322	-
Licensing fees	237,700	347,504	663,414	848,816
Consulting fees	163,147	238,480	486,747	805,086
Reimbursements	29,840	-	72,920	-
Services - related party	4,479	-	13,437	-
Seminars and others	244	2,017	4,279	6,239
Total revenue	<u>4,647,163</u>	<u>928,264</u>	<u>7,301,243</u>	<u>2,351,752</u>
Cost of goods and services				
Cost of goods and services	\$ 421,055	\$ 282,894	\$ 1,091,386	\$ 694,018
Cost of goods and services - related party	38,225	14,291	121,808	40,327
Total cost of goods and services	<u>459,280</u>	<u>297,185</u>	<u>1,213,194</u>	<u>734,345</u>
Gross profit	<u>\$ 4,187,883</u>	<u>\$ 631,079</u>	<u>\$ 6,088,049</u>	<u>\$ 1,617,407</u>
Operating expenses				
General and administrative	\$ 170,117	\$ 331,764	\$ 417,467	\$ 735,018
Professional services	177,103	144,796	657,694	384,278
Acquisition costs	-	42,600	-	141,301
Stock based compensation expenses	837,500	164,000	837,500	4,644,318
Officers and directors bonuses	145,104	90,823	196,157	90,823
Advertising	32,110	49,592	109,650	136,436
Conference and travel expenses	57,595	-	183,530	-
Salaries	423,347	127,250	1,144,567	220,365
Total operating expenses	<u>\$ 1,842,876</u>	<u>\$ 950,825</u>	<u>\$ 3,546,565</u>	<u>\$ 6,352,539</u>
Income from operations	<u>\$ 2,345,007</u>	<u>\$ (319,746)</u>	<u>\$ 2,541,484</u>	<u>\$ (4,735,132)</u>
Other income/expense				
Interest (income)	\$ (7,562)	\$ (7,562)	\$ (22,439)	\$ (22,439)
Net loss on derivative liability	-	136,088	-	4,706
Interest expense related to convertible notes	-	22,636	-	66,965
Loss on sales of assets	-	-	4,316	-
Loss on management fee contracts	-	-	-	70,257
Net loss on available for sale securities	-	14,719	-	14,457
Unrealized (gain)/loss on investments	(2,598,110)	-	(2,598,110)	(219)
Total other expense	<u>(2,605,672)</u>	<u>165,881</u>	<u>(2,616,233)</u>	<u>133,727</u>
Net (loss) income	<u>\$ 4,950,679</u>	<u>\$ (485,627)</u>	<u>\$ 5,157,717</u>	<u>\$ (4,868,859)</u>
Earnings per share attributable to common shareholders:				
Basic and diluted (loss)/earnings per share	<u>\$ 0.18</u>	<u>\$ (0.02)</u>	<u>\$ 0.19</u>	<u>\$ (0.22)</u>
Weighted average number of shares outstanding - basic and diluted	<u>27,578,310</u>	<u>21,883,853</u>	<u>27,578,310</u>	<u>21,883,853</u>
Other comprehensive (loss), net of tax				
Net unrealized (loss) on available for sale securities	-	-	-	-
Total other comprehensive income (loss), net of tax	-	-	-	-
Comprehensive (loss) gain	<u>\$ 4,950,679</u>	<u>\$ (485,627)</u>	<u>\$ 5,157,717</u>	<u>\$ (4,868,859)</u>

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2018 and 2017
Expressed in U.S. Dollars

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net income for the period	\$ 5,157,717	\$ (4,868,859)
Adjustments to reconcile net income to net cash provided by operating activities		
Loss (gain) on investment, net	–	4,706
Stock based compensation	837,500	4,644,318
Depreciation and amortization	54,253	43,650
Changes in operating assets and liabilities		
Proceeds from note receivable	2,561	(22,439)
Accounts receivable	(1,566,811)	(373,902)
Inventory	(335,869)	(87,685)
Other assets	(3,580)	(65,331)
Accounts payable and other liabilities	(61,879)	68,490
Net cash earned (used) from operating activities	<u>4,083,892</u>	<u>(637,052)</u>
Cash flows from investing activities		
Sale of assets	16,187	(242,685)
Short term debt	(58,280)	–
Acquisition investment	–	233,357
Investment proceeds	(5,260,840)	–
AFS securities investment, net	–	4,305
Net cash earned from investing activities	<u>(5,302,933)</u>	<u>(5,023)</u>
Cash flows from financing activities		
Sale of common stock	1,000,000	1,058,658
Cash raised by sale of convertible debt	–	179,777
Net cash earned from financing activities	<u>1,000,000</u>	<u>1,238,435</u>
Net decrease in cash and cash equivalents	(219,041)	576,360
Cash and cash equivalents - beginning of period	748,715	351,524
Cash and cash equivalents - end of period	<u>\$ 529,674</u>	<u>\$ 927,884</u>

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,2018

Organization and Nature of Operations:

Business Description – Business Activity: Medicine Man Technologies Inc. (the "Company") is a Nevada corporation incorporated on March 20, 2014. The Company is a cannabis consulting company providing services related to cost-efficient cannabis cultivation technologies focusing on quality as well as safety, retail operations related to the delivery of cannabis related products, and other related business lines as described in the Company's operating strategic vision outlined below.

1. Liquidity and Capital Resources:

Cash Flows – During the quarters ending September 30, 2018 and 2017, the Company primarily used revenues from its operation supplemented by cash to fund its operations.

Cash and cash equivalents are carried at cost and represent cash on hand, 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. The Company had \$529,674 and \$748,715 classified as cash and cash equivalents as of September 30, 2018, and December 31, 2017, respectively.

The Company has recently elected to accelerate its organic growth path through additional marketing, team development, synergistic acquisitions, and other corporate activities wherein it expects to generate negative cash flow and an additional demand for capital to fuel such growth as described in its subsequent events notes.

The Company is commencing legal action against one client for breach of contract, adding a significant value into its receivables for fees that had been accrued but not booked due to forbearance grants by the Company that were subsequently violated, causing the Company to increase its receivables accordingly (see Part II, Item 1, Legal Proceedings).

2. Critical Accounting Policies and Estimates:

Basis of Presentation: These accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission for annual financial statements.

Fair Value Measurements: Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments include cash, accounts receivable, note receivable, accounts payables and tenant deposits. The carrying values of these financial instruments approximate their fair value due to their short maturities. The carrying amount of the Company's debt approximates fair value because the interest rates on these instruments approximate the interest rate on debt with similar terms available to us. The Company's derivative liability was adjusted to fair market value at the end of each reporting period, using Level 3 inputs.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Accounts receivable: The Company extends unsecured credit to its customers in the ordinary course of business. Accounts receivable related to licensing and consulting revenues are recorded at the time the milestone result in the funds being due being achieved, services are delivered, and payment is reasonably assured. Licensing and consulting revenues are generally collected from 30 to 60 days after the invoice is sent. As of September 30, 2018, and December 31, 2017, the Company had accounts receivable of \$2,053,873 and \$487,062, respectively. The Company wrote off \$0 of its accounts receivable in 2018. Due to the low volume of write offs, the Company uses the direct write off method versus having an allowance for uncollectible debts. The Company continues to accrue values for fees it would normally be earning during this quarter and as related to the ongoing legal action it initiated after the Client in question refused to pay fees due the Company in accordance with the Client acknowledged executed agreement. At September 30, 2018 the accounts receivable for this matter totals \$990,864 and the revenue earned as of September 30, 2018 is \$1,015,154. Further, the Company provided services to this Client for a period of thirteen months, agreeing conditionally to three modifications to forego certain revenue sharing payments in accordance with the agreement taking place in December of 2017, March of 2018, and May of 2018 which the Client subsequently violated. In July of this year the Company secured legal counsel in Clark County Nevada to pursue this Client's default of payments as legally due the Company. (See Part II, Item 1, Legal Proceedings).

Short term note receivable: In July 2016, the Company executed a non-binding Term Sheet to acquire Capital G Ltd., an Ohio limited liability company and its three wholly owned subsidiary companies, Funk Sac LLC, Commodogy LLC, and OdorNo LLC. The agreement was subject to the Company's due diligence as well as execution of definitive agreements. In January 2017, the parties agreed not to proceed with this transaction. As part of the term sheet the Company agreed to loan Capital G the principal balance of \$250,000 pursuant to the terms of a convertible note which accrues interest at the rate of 12% per annum and which became due November 1, 2017. As of September 30, 2018, this note has not been repaid when it became due. The Company is currently in negotiations with Capital G about repayment terms. As of September 30, 2018, the Company has reserved 35% or \$102,906 of this balance. The Company had \$188,550 and \$191,111 classified as short-term note receivable as of September 30, 2018, and December 31, 2017, respectively.

Other assets (current and non-current): Other assets at September 30, 2018, and December 31, 2017 were \$60,899 and \$57,319, respectively including \$34,582 in prepaid expenses and \$26,317 in two security deposits.

Accounts payable: Accounts payable at September 30, 2018, and December 31, 2017 were \$225,360 and \$278,428, respectively and were comprised of operating accounts payable for various professional services incurred during the ordinary course of business.

Accrued expenses and other liabilities: Accrued expenses and other liabilities at September 30, 2018, and December 31, 2017 were \$47,684 and \$56,495, respectively. At September 30, 2018, this was comprised of \$23,688 in customer deposits and \$23,996 in deferred rent expense.

Fair Value of Financial Instruments: The carrying amounts of cash and current assets and liabilities approximate fair value because of the short-term maturity of these items. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. Available for sale securities are recorded at current market value as of the date of this report.

Revenue recognition and related allowances: Our revenue recognition policy is significant because the amount and timing of revenue is a key component of our results of operations. Certain criteria are required to be met in order to recognize revenue. If these criteria are not met, then the associated revenue is deferred until it is met. When consideration is received in advance of the delivery of goods or services, a contract liability is recorded. Our revenue contracts are identified when accepted from customers and represent a single performance obligation to sell our products to a customer.

The Company has five main revenue streams, product sales, licensing and consulting, cultivation max, reimbursements, investment and others.

Revenue from cultivation max, licensing and consulting services is recognized when the obligations to the client are fulfilled which is determined when milestones in the contract are achieved.

Product Sales are recorded at the time that control of the products is transferred to customers. In evaluating the timing of the transfer of control of products to customers, we consider several indicators, including significant risks and rewards of products, our right to payment, and the legal title of the products. Based on the assessment of control indicators, sales are generally recognized when products are delivered to customers.

Revenue from seminar fees is related to one-day seminars and is recognized as earned at the completion of the seminar. The Company also recognizes expense reimbursement from clients as revenue for expenses incurred during certain jobs.

Licenses (Investment Income w/ CHV). Under ASC 606, licenses of IP must be analyzed to determine whether they provide: (a) a right to access the entity's IP (in which case revenue is recognized over time) or (b) a right to use the entity's IP (in which case revenue is recognized at a point in time). This analysis depends on whether the IP subject to the license has significant standalone functionality. If the IP has significant standalone functionality (e.g., software), it is considered functional IP, and a license for functional IP is a right to use the IP for which revenue is recognized at a point in time under ASC 606, unless certain narrowly-focused criteria are met. If the IP does not have significant standalone functionality (e.g., a trade name), it is considered symbolic, and a license for symbolic IP is a right to access the IP for which revenue is recognized over time under ASC 606. While there are some industry-specific revenue recognition models in legacy GAAP that provide guidance on how to account for licenses and rights to use specific types of IP (e.g., software, motion pictures, franchises), these models are very different from the model in ASC 606.

The revenues generated relative to the licensing agreement entered into with CHV relate to that company's right to not only access but use with our support over the duration all of our related IP as well as Success Nutrient's formulations to deliver to the Canadian marketplace. We also will receive revenues related to licensing and sales of our IP over the duration of the agreement which provides for ongoing income, aside from the payments made in July in the form of stock and cash.

The Company notes no change in our pattern of revenue recognition due to the adoption of FASB ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)". The Company believes that the revenue recognition related to our consulting, licensing and product sales are consistent with our current practice.

Costs of Goods and Services Sold – Costs of goods and services sold are comprised of related expenses incurred while supporting the implementation and sales of Company's products and services.

General & Administrative Expenses – General and administrative expense are comprised of all expenses not linked to the production or advertising of the Company's services.

Advertising and Marketing Costs: Advertising and marketing costs are expensed as incurred and were \$109,650 and \$136,436 during the nine-month periods ended September 30, 2018 and 2017, respectively.

Stock based compensation: The Company accounts for share-based payments pursuant to ASC 718, "Stock Compensation" and, accordingly, the Company records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock and restricted stock awards using the Black-Scholes option pricing model.

Stock compensation expense for stock options is recognized over the vesting period of the award or expensed immediately under ASC 718 and EITF 96-18 when stock or options are awarded for previous or current service without further recourse. The Company issued stock options to contractors and external companies that had been providing services to the Company upon their termination of services. Under ASC 718 and EITF 96-18 these options were recognized as expense in the period issued because they were given as a form of payment for services already rendered with no recourse.

Share based expense paid to through direct stock grants is expensed as occurred. Since the Company's stock has become publicly traded, the value is determined based on the number of shares issued and the trading value of the stock on the date of the transaction. Prior to the Company's stock being traded the Company used the most recent valuation. The Company recognized \$837,500 in expenses for stock-based compensation to employees and consultants during the nine months ended September 30, 2018.

Income taxes: The Company has adopted SFAS No. 109 – “Accounting for Income Taxes”. ASC Topic 740 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC Topic 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Management fee contracts: In February 2017, the Company entered into a Merger Agreement with Pono Publications Ltd. (“Pono”), as well as a Share Exchange Agreement with Success Nutrients, Inc. (“SN”), each a Colorado corporation, in order to facilitate the acquisition of both of these entities. The ratification of the acquisition of these companies requires the approval of the holders of a majority of the Company’s shareholders, which was approved at the Company’s annual shareholder meeting held in May 2017. The relevant agreements provide that the effective date for accounting purposes would be April 1, 2017. Success Nutrients became a wholly owned subsidiary of Medicine Man Technologies, Inc. and the business conducted by Pono was incorporated into a newly formed wholly owned subsidiary, Medicine Man Consulting, Inc., which is also where the Company conducts its consulting service business.

In March 2017, the Company integrated Pono Publications and Success Nutrients into its operations including a lease for approximately 10,000 square feet of space located at 6660 East 47th Street, Denver, CO 80216. This integration also included four (4) full time team members as well as several independent contractors. From April 1, 2017 to September 30, 2017, the Company has agreed to manage the acquirees through a management fee agreement whereby all cash collected was recognized as other income and all cash expenses were direct costs of the project. As of September 30, 2017, the management contract resulted in cash collections of approximately \$100,000 and cash expenditures of approximately \$170,000 resulting in a net loss of \$70,257 which was presented on a net basis as a loss in the other income portion of the Company’s income statement. As of April 1, 2017, the Company’s consolidated financial statements included these two entities.

3. Recent Accounting Pronouncements:

FASB ASU 2016-02 “Leases (Topic 842)” – In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 increases transparency and comparability among organizations by requiring lessees to record right-to-use assets and corresponding lease liabilities on the balance sheet and disclosing key information about lease arrangements. The new guidance will classify leases as either finance or operating (similar to current standard’s “capital” or “operating” classification), with classification affecting the pattern of income recognition in the statement of income. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of ASU 2016-02 to have an impact on our consolidated financial statements.

FASB ASU 2016-11 “Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815)” – In May 2016, the FASB issued 2016-11, which clarifies guidance on assessing whether an entity is a principal or an agent in a revenue transaction. This conclusion impacts whether an entity reports revenue on a gross or net basis. This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. We are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position

FASB ASU 2016-15 “Statement of Cash Flows (Topic 230)” – In August 2016, the FASB issued 2016-15. Stakeholders indicated that there is a diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. Adoption of this ASU will not have a significant impact on our statement of cash flows.

FASB ASU 2017-01 “Clarifying the Definition of a Business (Topic 805)” – In January 2017, the FASB issued 2017-1. The new guidance that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. The ASU is effective for annual reporting periods beginning after December 15, 2017, and for interim periods within those years. Adoption of this ASU is not expected to have a significant impact on our consolidated results of operations, cash flows and financial position

4. Stockholders' Equity:

At June 30, 2018, the Company had 25,019,981 Common Shares outstanding.

During the three months ended September 30, 2018, the Company issued 1,933,329 shares of its Common Stock as part of the consideration in acquiring Two JS LLC.

During the three months ended September 30, 2018, the Company issued 625,000 shares of its Common Stock to employees. These shares were valued at \$1.34 per share, the closing price of the Company's Common Stock on the day the shares were issued.

At September 30, 2018, the Company had 27,578,310 Common Shares issued and outstanding.

5. Property and Equipment:

Property and equipment are recorded at cost, net of accumulated depreciation and are comprised of the following:

	September 30, 2018	December 31, 2017
Furnitures & Fixtures	\$ 98,394	\$ 107,945
Marketing Display	36,900	36,900
Vehicles	—	6,000
Office Equipment	80,604	81,240
	<u>\$ 215,898</u>	<u>\$ 232,085</u>
Less: Accumulated Depreciation	(131,405)	(82,038)
	<u>\$ 84,493</u>	<u>\$ 150,047</u>

Depreciation on equipment is provided on a straight-line basis over its expected useful lives at the following annual rates.

Furniture & Fixtures	3 years
Marketing Display	3 years
Vehicles	3 years
Office Equipment	3 years

Depreciation expense for the nine-month periods ending September 30, 2018 and 2017 was \$56,275 and \$40,659 respectively.

6. Intangible Asset:

On May 1, 2014, the Company entered into a non-exclusive Technology License Agreement with Futurevision, Inc., f/k/a Medicine Man Production Corporation, a Colorado corporation, dba Medicine Man Denver (“Medicine Man Denver”), a company owned and controlled by affiliates of the Company, whereby Medicine Man Denver granted a license to use all of their proprietary processes they have developed, implemented and practiced at its cannabis facilities relating to the commercial growth, cultivation, marketing and distribution of medical marijuana and recreational marijuana pursuant to relevant state laws and the right to use and to license such information, including trade secrets, skills and experience (present and future). As payment for the license rights the Company issued Medicine Man Denver (or its designees) 5,331,000 shares of the Company’s common stock. The Company accounted for this license in accordance with ASC 350-30-30 “Intangibles – Goodwill and Other by recognizing the fair value of the amount paid by the company for the asset at the time of purchase. Since the Company has a limited operating history, management determined to use par value as the value recognized for the transaction. Since the term of the initial license agreement is ten (10) years, the cost of the asset will be recognized on a straight-line basis over the life of the agreement. In addition, each period the Company will evaluate the intangible asset for impairment.

During 2017, the Company obtained two intangible assets, Product Agreement & Registration and a Trade Secret. These two intangible assets were acquired due to the result of the acquisition of Success and Pono on September 30, 2017. Refer to the Note 9 for further explanation of the purchase price accounting. The Company’s procurement of product registration during the year was within five states and Canada. The Company’s product was registered in California, Oregon, Colorado, Michigan, Arizona, Washington and all of Canada. The registration allows the Company to sell their product within the confines of that region. The registration fees capitalized are the initial costs to obtain the license. The licenses have nominal annual renewal costs. These subscriptions are amortized over a 15-year period.

During 2017, the Company incurred an intangible asset due to the development of the product’s nutrient recipe. The nutrient recipe development was a one-time fee, paid to the Company’s developer. The intellectual property is amortized over a 15-year economic life of the asset. The economic life of the asset is shorter than the indefinite life considered the legal life of the assets so 15 years is deemed the economic life of the asset.

During 2017, the Company attained one additional intangible assets, Product Agreement & Registration. The Company’s procurement of product registration during the year was within seven states. The Company’s product was registered in Florida, Illinois, Maine, Massachusetts, Minnesota, Nevada and Ohio. The registration allows the Company to sell their product within the confines of that region. The registration fees capitalized are the initial costs to obtain the license. The licenses have nominal annual renewal costs. These subscriptions are amortized over a 15-year period.

	September 30, 2018	December 31, 2017
License Agreement	\$ 5,300	\$ 5,300
Product License and Registration	57,300	57,300
Trade Secret - IP	32,500	32,500
	<u>\$ 95,100</u>	<u>\$ 95,100</u>
Less: Accumulated Amortization	(12,275)	(7,388)
	<u>\$ 82,825</u>	<u>\$ 87,712</u>

Amortization expense for the nine-month periods ending September 30, 2018 and 2017 was \$4,886 and \$2,991, respectively.

7. Convertible Notes and Derivative Liability:

In the year ended December 31, 2016 the Company raised \$810,000 through a private placement of convertible promissory notes sold to certain accredited investors, bearing interest at 12%, with interest and principal due January 1, 2019. Upon issuance, each of the notes is immediately convertible at the noteholders election into the company's common stock at \$1.75 per share or 90% of the VWAP of the five days following the notice of conversion, whichever is lower. Since the conversion rate can be tied to an underlying item, convertible notes with warrants, are considered to be a derivative that is recorded as a liability at fair value and adjusted to fair value at the conclusion of each reporting period. The underlying assumptions used in the Black Scholes model to determine the fair value of the derivative liability were based on the individual date the notes were closed, volatility, the risk-free rate, the exercise price and the stock price at conversion.

During the last three months of 2017, all outstanding convertible note holders either converted their notes or the Company paid monies owed in full. The liability at September 30, 2018 is \$0.

8. Related Party Transactions:

As of September 30, 2018, the Company had six related parties, Brett Roper, Future Vision dba Medicine Man Denver, Med Pharm Holdings, Med Pharm Iowa, De Best Inc. and Super Farm LLC. One of the Officers of the Company, Joshua Haupt, currently owns 20% of both De Best and Super Farm. Additionally, one of the Directors of the Company, Andy Williams, currently owns 38% of Future Vision dba Medicine Man Denver. Andy Williams also owns 10% of Med Pharm Holdings and 3% of Med Pharm Iowa. Brett Roper is the Chief Executive Officer of the Company.

As of September 30, 2018, the Company had net sales from Super Farm LLC totaling \$202,613 and \$67,560 in net sales from De Best Inc. The Company gives a larger discount on nutrient sales to related parties than non-related parties. As of September 30, 2018, the Company had accounts receivable balance with Super Farm LLC totaling \$21,400 and \$6,515 accounts receivable from De Best Inc. As of September 30, 2018, the company had an accounts payable balance to Brett Roper in the amount of \$53,000.

As of September 30, 2018, the Company had sales from Future Vision dba Medicine Man Denver totaling \$137,552, and an accounts receivable balance of \$20,658. As of September 30, 2018, the Company had an accounts receivable balance owed from Future Vision totaling \$4,479. As of September 30, 2018, the Company had sales from Med Pharm Iowa totaling \$62,191 and \$23,020 in sales from Med Pharm Holdings. The Company had an accounts receivable balance owed from Med Pharm Iowa totaling \$1,713 and \$3,552 owed from Med Pharm Holdings.

9. Goodwill and Acquisition Accounting:

On June 3, 2017, the Company issued an aggregate of 7,000,000 shares of its common stock for 100% ownership of both Success Nutrients and Pono Publications. The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in \$6,301,080 of Goodwill. The ASC at 350-20-35-3A directs that "An entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company had a valuation done at this time and the value exceeded the purchase price indicating that there would not be any impairment.

On July 21, 2017, the Company issued 2,258,065 shares of its Common Stock for 100% ownership of Denver Consulting Group ("DCG"). The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in \$3,003,226 of Goodwill. The ASC at 350-20-35-3A directs that "An entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill". The Company obtained an independent valuation of the DCG on September 27, 2017. The fair market value on September 27, 2017 of DCG was \$3,650,000, thus creating a fair market value greater than the carrying value of Goodwill. The ASC at 350-20-35-3D directs that "If an entity determines that it is not more likely that the fair value of a reporting unit is less than its carrying amount, then Goodwill impairment is unnecessary." As of December 31, 2017, the Company determined that no impairment is necessary given the recent valuations and no change in qualitative factors.

On September 17, 2018, we closed the acquisition of Two JS LLC, dba The Big Tomato, a Colorado limited liability company. (“Big T” or “Big Tomato”). The Company issued an aggregate of 1,933,329 shares of its common stock for 100% ownership of Big Tomato. The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in the Company valuing the investment as \$3,000,000 of Goodwill. At September 17, 2018, the Company’s per share value of Common Stock was \$1.55. There is no requirement for Big Tomato to have independent audited financial statement for the prior two fiscal years and any interim periods because the aggregate value of the acquisition is less than 20% of the Company’s current assets.

Big Tomato Balance Sheet

<i>Assets</i>	<u>Book/Fair Value</u>	<i>Liabilities</i>	<u>Book/Fair Value</u>
Inventory	291,000	Accounts payable	272,266
Other assets	4,950	Customer Deposits	23,684
	<u>295,950</u>		<u>295,950</u>
Purchase Price (1,933,329*1.5517)			
		3,000,000	
Less: BV of Assets		(295,950)	
Add: BV of Liabilities		295,950	
Goodwill		<u>3,000,000</u>	

As of September 30, 2018, the Company’s Goodwill has a balance of \$12,304,306. This amount consisted of \$3,003,226 from the DCG acquisition, \$6,301,080 from the Pono and Success acquisition and \$3,000,000 from the Big Tomato acquisition. As of September 30, 2018, no impairment is necessary.

10. Licensing agreement with Canada House Wellness Group Inc. (CSE: CHV):

On July 17, 2018, Medicine Man Technologies Inc. announced an exclusive licensing agreement with Canada House Wellness Group Inc. (CSE: CHV) (“Canada House”), through its wholly owned subsidiary Abba Medix Corp., for deployment of its intellectual property and product lines (Three a Light ®, Success Nutrients ®, General Intellectual Property) into the Canadian marketplace. The licensing agreement calls for an initial payment of \$4.65M (CAD) in the form of cash and stock for licensing of Medicine Man Technologies intellectual property, product lines, and assignment of an existing Cultivation MAX agreement to Canada House. Medicine Man Technologies will also be entitled to revenue-based fees related to this deployment over the duration of the license agreement and will be assisting Canada House’s marketing efforts. This is a level 1 investment.

As of September 30, 2018, the Company recognized a gain on investment of \$2,598,110 and initial revenue of \$3,518,322 due to this transaction. It should be noted that this gain (or any future gain/loss) is based upon common stock ownership and in consideration of the closing requirements for valuation related to each quarter, this position may vary widely and that the Company has no control position, authority, or other relationship over CHV other than Mt. Roper’s current service as a member of CHV’s Advisory Board. Further, this new master license agreement supersedes an existing services agreement that was nullified as the result of this new licensing agreement.

11. Net Income (Loss) per Share:

In accordance with ASC Topic 280 – “Earnings per Share”, the basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The Company's quarterly earnings for the period ended September 30, 2018 and 2017 basic and diluted earnings per share \$.19 and (\$.22) respectively.

12. Inventory:

As of September 30, 2018, and December 31, 2017, the Company had \$441,960 and \$106,091 of finished goods inventory, respectively. The Company only has finished goods within inventory because it does not produce any of its products. All inventory is produced by a third party. The inventory valuation method that the Company uses is the FIFO method. During 2018 and 2017, the Company had \$0 obsolescence within its inventory.

13. Note Payable:

As of September 30, 2018, and December 31, 2017, the Company had a note payable balance of \$0 and \$58,280, respectively. The note payable is a balance that is due to an officer of the Company, Joshua Haupt. This note was fully repaid in the 1st quarter of FY 2018.

14. Commitments and Concentrations:

Office Lease (Medicine Man Technologies) – Denver, Colorado – The Company entered into a lease for office space at 4880 Havana Street, Suite 201, Denver, Colorado 80011. The lease period started March 1, 2017 and will terminate February 29, 2020, resulting in the following future commitments:

2018 fiscal year	\$	39,000
2019 fiscal year		171,000
2020 fiscal year		29,000

Office Lease (Big Tomato) – Denver, Colorado – The Company entered into a lease for office space at 695 Billings St, Suite A-F, Aurora, Colorado 80011. The lease period started July 1, 2017 and will terminate June 30, 2020, resulting in the following future commitments:

2018 fiscal year	\$	19,452
2019 fiscal year		77,808
2020 fiscal year		38,904

The Company notes that this lease is accelerated and the deferred rent expense at September 30, 2018 is \$23,996. This amount is booked in “Accrued expenses” and is noted above in “Note 1.”

15. Warrants:

The Company issued one round of warrants related to various equity transactions that was approved by the Board on June 3, 2017 and issued on June 19, 2017. Since the terms weren't established until June 19, 2017, these were valued on this date per the signed agreements and issuance on June 19, 2017. The Company accounts for its warrants issued in accordance with the US GAAP accounting guidance under ASC 480. The Company estimated the fair value of these warrants at the respective balance sheet dates using the Black-Scholes option pricing model as described in the stock-based compensation section above, based on the estimated market value of the underlying common stock at the valuation measurement date of \$1.50, the remaining contractual term of the warrant of 2.5 years, risk-free interest rate of 1.38% and expected volatility of the price of the underlying common stock of 126%. There is a moderate degree of subjectivity involved when using option pricing models to estimate the warrants and the assumptions used in the Black Scholes option-pricing model are moderately judgmental.

During the quarter ended June 30, 2018, the Company issued 937,647 common stock purchase warrants under the private offering with an exercise price of \$1.33 per share, expiring on March 17, 2019. As of September 30, 2018, none of the warrants were exercised. The stock purchase warrants have been accounted for as equity in accordance with FASB ASC 480, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, Distinguishing Liabilities from Equity.

During the quarter ended September 30, 2018, the Company did not issue any common stock purchase warrants.

	Number of shares
Balance as of June 30, 2018	2,438,213
Settlements	—
Warrants issued	—
Balance as of September 30, 2018	<u>2,438,213</u>

16. Tax Provision:

The Company utilizes FASB ASC 740, “Income Taxes” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established if it is more likely than not that some portion or all the deferred tax asset will not be realized. The Company generated a deferred tax credit through net operating loss carry forwards. The Company had no tax provisions as of September 30, 2018 and December 31, 2017. The company had net income during the quarter ended September 30, 2018, however currently has an adequate net loss carryforward to cover any liability generated in the current quarter.

17. Major Customers and Accounts Receivable:

The Company had certain customers whose revenue individually represented 10% or more of the Company’s total revenue, or whose accounts receivable balances individually represented 10% or more of the Company’s total accounts receivable. For the nine months ended September 30, 2018, two customers accounted for 74% of revenue, one with 60% and another with 14%. For the nine months ended September 30, 2017, three customers accounted for 76% of accounts receivable, one with 14%, one with 21% and another with 60%. The Company is currently pursuing litigation against one of these customers to receive contractual amounts owed. See “Part II, Item 1, Legal Proceedings” for further explanation.

18. Subsequent Events:

The Company also notes that \$427,287 of the receivables as noted in this report were related to a second required payment of the cash portion as required under the Master License Agreement with Canada House Wellness (CSE:CHV). That value was paid in full subsequent to the end of this reporting period in accordance with our agreement.

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

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward-looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

Overview

We were incorporated on March 20, 2014, in the State of Nevada. On May 1, 2014, we entered into an exclusive Technology License Agreement with Medicine Man Denver, Inc., f/k/a Medicine Man Production Corporation, a Colorado corporation ("Medicine Man Denver") whereby Medicine Man Denver granted us a license to use all of their proprietary processes they have developed, implemented and practiced at its cannabis facilities relating to the commercial growth, cultivation, marketing and distribution of medical marijuana and recreational marijuana pursuant to relevant state laws and the right to use and to license such information, including trade secrets, skills and experience (present and future) (the "Medicine Man Denver License Agreement").

We commenced our business on May 1, 2014 and currently generate revenues derived from licensing agreements with cannabis related entities, as well as sponsoring seminars offered to the cannabis industry and other business endeavors related to our core competencies. As of the date of this report we have or have had 45 fee generating clients in 14 different states.

We are a cannabis consulting company providing services related to cost efficient cannabis cultivation technologies focusing on quality as well as safety, retail operations related to the delivery of cannabis related products, and other related business lines as described in our operating strategic vision.

As previously announced, the Company has already begun to take certain equity positions within Client businesses for which it was materially helpful in assisting the Client secure a license to operate within a given jurisdiction. Moving into 2019, the Company expects to further these efforts significantly, assuming both substantial equity as well as operating responsibilities for various locations in the US as well as Canada through its partner, Canada House Wellness Group, Inc. (CSE: CHV).

We have never been subject to any bankruptcy proceeding. Our executive offices are located at 4880 Havana Street, Suite 201 South , Denver, Colorado 80239, telephone (303) 371-0387. Our website address is www.medicinemantechologies.com.

Results of Operations

Comparison of Results of Operations for the three months ended September 30, 2018 and 2017

During the three months ended September 30, 2018, we generated revenues of \$4,647,163, including consulting/licensing fees of \$400,847, Cultivation Max revenue of \$88,933, litigation revenue of \$180,000, reimbursement revenue of \$29,840, product sales of \$424,498 (of the product sales total, \$349,582 is sales of Success Nutrients and \$74,916 relates to Big Tomato operations as associated with a partial month's sales earned in September), investment income of \$3,518,322 and other revenue of \$4,724 as compared with the three months ended September 30, 2017, where we generated revenues of \$928,264, of which \$585,984 was related to consulting/licensing services, \$340,263 was related to product sales and \$2,017 was related to seminar and other revenues. In comparison to September 30, 2017, overall revenue increased during this three-month period over that of the prior year by 400% or \$3,718,899.

Cost of goods and services, consists of expenses related to delivery of services and product procurement, was \$459,280 during the three months ended September 30, 2018, compared to \$297,185 during the comparable period in 2017. This increase was due to the increase in sales of goods and due to Cultivation Max operations, consolidation of Big Tomato and licensing revenue.

Operating expenses during the three months ended September 30, 2018, were \$1,842,876 consisting of professional fees of \$177,103, salaries and bonuses of \$568,451, advertising of \$32,110, conference/travel expenses of \$57,595, general/administrative expense of \$170,117 and stock-based compensation of \$837,500. Overall, operating expenses during the three months ended September 30, 2018 increased by \$854,551 compared to operating expenses incurred during the three months ended September 30, 2017. This increase in operating expenses during this three-month period was primarily attributable to stock-based compensation expense of \$837,500 and salaries of \$423,347 incurred during the three-month period ended September 30, 2018.

Other (income) and expenses, was (\$2,605,672) during the three months ended September 30, 2018, compared to \$165,881 during the comparable period in 2017. This increase was primarily due to the Company's unrealized gain on investment income of \$2,598,110 and as related to its CHV common stock holdings.

As a result, the Company generated net income of \$4,950,679 during the three months ended September 30, 2018 (approximately \$0.18 per share), compared to net loss of (\$485,627) during the three months ended September 30, 2017 (approximately (\$0.02) per share).

Comparison of Results of Operations for the nine months ended September 30, 2018 and 2017

During the nine months ended September 30, 2018, we generated revenues of \$7,301,243, including consulting/licensing fees of \$1,150,161, product sales of \$1,222,880 (of the product sales total, \$1,147,864 is sales of Success Nutrients and \$74,916 relates to Big Tomato), cultivation max revenue of \$304,090, litigation revenue of \$1,015,154, investment income of \$3,518,322 with the balance of fees arising from our participation in cannabis seminars, expense reimbursements and others. In the nine months ended September 30, 2017 the company generated revenue of \$2,351,752 with \$1,653,902 generated through consulting/licensing fees, \$691,611 generated through the sale of products and \$6,239 from seminars and others. This resulted in a 210% increase in revenue an overall increase of \$4,949,491. This increase was primarily due to Cultivation Max revenue, Investment income and product sales.

Cost of services, consisting of expenses related to delivery of services and product procurement, was \$1,213,194 during the nine months ended September 30, 2018, compared to \$734,345 during the comparable period in 2017. This increase was largely driven by the addition of product procurement expenses, cultivation max, travel expenses and increases in wages for the period. Operating expenses during the nine months ended September 30, 2018, were \$3,546,565 of which included general and administrative expense of \$417,467, professional fees of \$657,694, stock comp. expense of \$837,500, \$109,650 in advertising expenses, officers and director's bonuses of \$196,157, \$1,144,567 in salary expense and \$183,530 in conference/travel expense incurred during the nine months ended September 30, 2018. From September 30, 2018 to September 30, 2017 we had a 44% decrease in operating expenses. This decrease was primarily due to stock-based compensation expense during 2017 of \$4,644,318.

Other (income) and expenses, was (\$2,616,233) during the nine months ended September 30, 2018, compared to \$133,727 during the comparable period in 2017. This increase was primarily due to the Company's unrealized gain on investment income of \$2,598,110.

As a result, we generated net income of \$5,157,717 during the nine months ended September 30, 2018 (approximately \$0.19 per share), compared to net loss of \$(4,868,859) during the nine months ended September 30, 2017 (approximately (\$0.22) per share).

Liquidity and Capital Resources

At September 30, 2018, we had \$529,674 in cash.

Net cash earned from operating activities was \$4,083,892 during the nine-month period ended September 30, 2018, compared to cash used from operating activities of \$637,052 for the similar period in 2017, an increase of \$4,720,944. Most of this consumption is due to our evolving new service offerings as well as an increase in our receivables base due to the typical collection period of earnings related to Cultivation MAX services that requires a sales interval prior to payment of fees earned.

The Company acknowledges that it will need to raise additional capital in the near future to fund its non-organic growth as well as expansion including 1) the hiring and training of additional deployment related team members, 2) continued development of our back of the house operational support team and technology, 3) expansion of our investor relationship and message management strategies, 4) the hiring and training of a new CEO, noting Mr. Brett Roper will remain with the Company as well as a Member of the Board of Directors, focusing primarily on business and corporate development as already disclosed, 5) creation of our next step related to our evolution of general business development strategies including road show and other related elements, 6) direct investment and partnership opportunities wherein our skills as well as culture provide for strong economic advantages for the Company as well as any Partners we may choose to align with, and 7) for general corporate purposes. As the Company was just recently elevated to OTCQX status, it will also begin to explore other international listing as well as funding opportunities moving forward.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the nine-month period ended September 30, 2018.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2018 and December 31, 2017.

Critical Accounting Estimates

Our financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates used to prepare the condensed financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in our Annual Report on Form 10-K for the year ended December 31, 2017 in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2018. This evaluation was carried out under the supervision and with the participation of our Chief Financial Officer and Chief Executive Officer. Based on this evaluation, our CFO and CEO have concluded that our disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings.*

The Company has recently entered into pursuit of one client for breach of contract, adding a significant value into its receivables for fees that had been accrued but not booked due to forbearance grants by the Company that were subsequently violated, causing the Company to increase its receivables accordingly. It has engaged legal counsel to pursue this default issue and while there are no assurances of a favorable outcome, management believes that a resolution in favor of the company will be forthcoming. The Client continues to operate as of the date of this report.

Item 1A. *Risk Factors*

As a smaller reporting company, we are not required to provide the information required by this Item.

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

During the three months ended September 30, 2018, we issued 1,933,329 shares of our Common Stock as part of the consideration paid to acquire Two JS LLC. Aka The Big Tomato.

Also, during the three months ended September 30, 2018, the Company issued an aggregate of 625,000 shares of our Common Stock to employees of our Company.

We relied upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended to issue these shares. We did not receive any proceeds from the issuances of these shares.

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer](#)

31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer](#)

32 [Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS XBRL Instance Document*

101.SCH XBRL Schema Document*

101.CAL XBRL Calculation Linkbase Document*

101.DEF XBRL Definition Linkbase Document*

101.LAB XBRL Label Linkbase Document*

101.PRE XBRL Presentation Linkbase Document*

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are not deemed filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act or Section 18 of the Securities Exchange Act and otherwise not subject to liability.

SIGNATURES

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

Dated: November 8, 2018

MEDICINE MAN TECHNOLOGIES, INC.

By: /s/ Brett Roper
Brett Roper, Chief Executive Officer

By: /s/ Jonathan Sandberg
Jonathan Sandberg, Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002**

I, Brett Roper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medicine Man Technologies, 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 in order 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure 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 upon 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 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.

Dated: November 8, 2018

/s/ Brett Roper

Brett Roper, Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002**

I, Jonathan Sandberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medicine Man Technologies, 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 in order 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure 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 upon 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 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.

Dated: November 8, 2018

/s/ Jonathan Sandberg

Jonathan Sandberg, Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report of Medicine Man Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission on November 8, 2018 (the "Report"), we, the undersigned, in the capacities and on the date indicated below, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Rule 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.

Dated: November 8, 2018

/s/ Brett Roper
Brett Roper, Chief Executive Officer

Dated: November 8, 2018

/s/ Jonathan Sandberg
Jonathan Sandberg, Chief Financial Officer