

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

FORM 10-K

(Mark one)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
- TRANSITION REPORT 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: **Common Stock, par value \$0.001 per share**

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 Securities 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 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$34,919,384 as of June 30, 2018, based upon the closing price on the OTC Markets, Inc. reported for such date.

The number of the registrant's shares of common stock of the registrant was 27,953,848 as of April 15, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for our 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report on Form 10-K. All subsequent written and oral forward-looking statements concerning other matters addressed in this Annual Report on Form 10-K 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 Annual Report on Form 10-K.

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

ITEM 1. BUSINESS

History

History

Medicine Man Technologies, Inc. (“we,” “us,” “our” or the “Company”) was incorporated on March 20, 2014, in the State of Nevada. On May 1, 2014, we entered into a non-exclusive Technology License Agreement with Futurevision, Inc., fka Medicine Man Production Corp., dba Medicine Man Denver (hereinafter, “Medicine Man Denver”) pursuant to which Medicine Man Denver granted us a license to use all of their proprietary processes that they had developed, implemented and practiced at their 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 “License Agreement”) in consideration for the issuance of 5,331,000 shares of our Common Stock. We 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 us for the asset at the time of purchase. Since we had a limited operating history, management elected to use the par value of our Common Stock as the value recognized for the transaction. Since the term of the License Agreement is ten (10) years, the cost of the asset will be recognized on a straight-line basis over the life of the License Agreement. In addition, we will evaluate the intangible asset for impairment every quarter. Medicine Man Denver is owned by some of our affiliates. See “Part II, Item 8, Financial Statements and Supplementary Data” and “Part III, Item 13, Certain Relationships and Related Transactions.”

Acquisition of Pono Publications, Ltd., Success Nutrients, Inc. and Associated Intellectual Property

On February 27, 2017, we entered into a Merger Agreement with Pono Publications Ltd., as well as a Share Exchange Agreement with Success Nutrients, Inc., each a Colorado corporation, in order to facilitate our acquisition of both of these entities, which were owned by Joshua_Haupt, who currently serves as one of our directors.

Pono, via Medicine Man Technologies, Inc. provides cultivation consulting services to the cannabis industry in Colorado and elsewhere. It is also the owner of a registered trademark, “Three A Light” through which it has published a book on how to cultivate marijuana. The Pono Publications Ltd. brand includes the Three A Light™ cultivation publication with a ‘Professional Grade’ version used exclusively for both Three A Light™ and our current and future clients. This new cultivation protocol has already achieved yields in the 850-gram per square foot range of flowering canopy per year and is deployable in both greenhouse and indoor based cultivation facilities.

The Success Nutrients brand provides one of the key underpinnings of the cultivation methodology and is essential to the overall Three A Light™ performance metric. With an investment of two years of research, development and intense testing, this product line was specifically formulated for the cannabis industry. See “Nutrient Products (Group 3),” below.

On June 3, 2017, the Company issued 7,000,000 shares of Common Stock to the owner in consideration for the acquisition of Success Nutrients and Pono Publications.

Acquisition of the Denver Consulting Group, Inc.

In May 2017 we entered into a Binding Term Agreement for the acquisition of Denver Consulting Group, Inc., an industry consultant located in Denver, Colorado.

On or about July 26, 2017, we completed the acquisition and issued 2,258,065 shares of our Common Stock in consideration for the acquisition of Denver Consulting Group.

Acquisition of the Big Tomato, LLC

On September 20, 2018, we closed the acquisition of Two JS LLC, dba The Big Tomato, a Colorado limited liability company. (“Big T” or “Big Tomato”). The effective date of this acquisition was September 17, 2018.

To acquire The Big Tomato we issued an aggregate of 1,933,329 shares of our common stock to the Big T members in exchange for 100% of their issued and outstanding member interests, representing approximately 7% of our issued and outstanding stock following the closing. We also paid approximately \$307,000 for inventory in cash, including the assumption of approximately \$250,000 in inventory account payable.

The transaction was undertaken as a reverse triangular merger, wherein we formed a wholly owned subsidiary company, which merged with and into Big T. As a result, Big T is now a wholly owned subsidiary of our Company. The transaction did not result in a change in our current management.

OUR CURRENT BUSINESS GROUPINGS

As we evolve our various business lines and branding strategies we are working to align our service offerings and earned income into logical groupings. We have aligned them into three business units that will allow our potential clients and investors a better understanding of both our current and future operations. The specifics of these newly established groups are as follows:

GROUP 1 –Consulting and Licensing Services

In prior years we have generated revenues from our consulting activities, as well as seminars we have conducted for prospective clients interested in entering the cannabis industry. During 2016, we began to limit these seminars and devote our resources to what we consider to be higher upside activities, including private consultation services and related matters. We expect these services to augment our existing seminar offerings and over time replace most of our local seminar offerings. Following is a description of these services as they exist at the time of this filing. The Company reserves the right to modify, offer new, delete or otherwise change any of the elements without further notice.

Private Consulting Package

This package sets the foundation for groups considering entering the cannabis space by providing real world examples of projects and cannabis industry marketplaces in which we have worked. The Two-Hour Private Consultation is also the main entry point for clients considering our services to have the opportunity to sit down with our team and learn more about our licensing services. Consultation fees collected are credited back to clients who proceed with our full licensing packages.

This package is recommended for individuals and business owners that need more guidance and personal consultation when working to advance their own goals in the cannabis industry and to increase their business’s success.

Seminar Offering Services

We offer seminars at our facilities in Denver, CO. The crash course seminars are designed to educate participants about the requirements associated with becoming licensed operators in their own geographic market, and include guidance and tips on navigating:

- Industry opportunities
- Medical and Recreational Market Trends
- Cultivation Methodologies and Technology
- Processing Methodologies and Technology
- Extraction Technology
- Dispensary Operations
- Operating Pros and Cons
- Security Requirements
- Banking, Tax, and Finance
- Real Estate Planning and Tips
- License Application Planning and Tips
- Advocacy, Outreach and Lobbying

The Denver-based seminars end with a tour of Medicine Man Denver's cultivation and dispensary facilities, allowing participants to get a first-hand view of a fully compliant medical and recreational cultivation and dispensary operation.

Facility Design Services

Our personnel have an aggregate of 50 years' experience designing indoor, greenhouse and hybrid growing facilities as well as retail dispensaries. Our design team consists of an architect and a contracting firm that have a wealth of knowledge in the medical and recreational cannabis cultivation and retail space; having designed and constructed numerous facilities throughout the state of Colorado and other markets. Our team will collaborate with a client's local architect and general contractor to develop an optimal design and construction plan that will meet all IBC (International Building Code) and zoning codes while supporting the Variable Capacity Continuous Harvest model. Our team will provide all blue prints, lighting, tables, shelving specs and any other pertinent intellectual property, developed and refined by Medicine Man Denver.

We have experience in supporting multiple facility layouts and deployments, including both existing and new buildings. We have worked through both deployments and have extensive knowledge within industrial building environments. Based upon this experience we believe our documented designs and floor plans will ensure that a client's facility will operate at maximum efficiency from day one, avoiding the multitude of costly mistakes made by many cannabis startups.

New State Application Process Support Services

Through our licensing and application support services we supplement as needed a client's efforts within a competitive or non-competitive state application process with the goal of securing a state-issued operating license. Once licensed, we help clients deploy state of the art facilities, train staff, implement standard operating procedures, and become operational.

Our primary objective is to help clients deliver a positive customer experience with the utmost attention to product, public, and patient safety. We educate our clients on how to produce the highest quality products with the lowest cost of production, delivered to customers with great customer service on a consistent and safe basis. Through basic application support guidance elements, we support our client's efforts in pursuit of state-issued operating license. Our team also provides cultivation and/or dispensary elements as needed to demonstrate sufficiency within an application.

We have experience working within both competitive and non-competitive application environments. We have had clients in eighteen states, including: Colorado, Nevada, Illinois, New York, Maryland, Hawaii, Pennsylvania and Puerto Rico. As each state handles the process differently, we believe we bring a wealth of knowledge and experience in working through an application. We engage in an "on the ground" approach – ensuring clients receive support when it matters most. As a result, our clients have successfully filed winning cultivation and dispensary applications across several states.

Entities applying for medical and recreational operating licenses will have to demonstrate their ability to provide patient, product, and public safety while also maximizing their productivity to meet the forthcoming demand with high-quality, consistent products. As a result of the acquisitions of Pono and Success Nutrients (discussed above). We now estimate that our cultivation processes have increased the per light productivity to an average of 3 pounds of dried, cured flower per 1,000W fixture. While this is applicable to the entire cannabis industry, we believe this is particularly invaluable in states which impose limits on canopy size or plant counts, or in instances in which operators have a limited space to cultivate. We treat cultivation like manufacturing, with the underlying principal that control of inputs, process, environment, and climate will yield consistent output, enabled by our supporting process.

Clients who successfully achieve state licensure may also engage us for managed facility support as well as various deployment and training services. This offering provides a turn-key solution for new operators, inclusive of support with pursuit of licensure, design and deployment of their facility, and ongoing management of the facility for a defined period.

Three-A-Light Publication (Home Version)

Pono was incorporated in the State of Colorado on February 16, 2015. It is the holder of all intellectual property rights relating to the cannabis cultivation of full-scale commercial grow operations utilized and proposed to be utilized by our current and future clients. No patents have been filed to protect the various methods and expertise utilized for these commercial grows due to the federal prohibition on cannabis.

“Three-A-Light” is a tutorial for how to grow cannabis plants for the individual grower growing for his own benefit or caregiver growing for their patients in a limited way. The book has been sold on Amazon at a price of \$500 per copy. To date, roughly 1,900 books have been sold or provided to our clients.

Managed Facility Services

As we have grown the volume of requests from clients and prospective clients for full facility management has increased. As a result, we have structured a service offering to include organizational setup and interim management of client’s cultivation, processing, and dispensary facility(s). As part of the managed facilities services, we may provide the following:

1. Oversee the hiring and training of the primary facility General Manager. This General Manager will oversee the hiring and training of market-based Cultivation Manager, Production Manager, and Dispensary Manager, as necessary, who may all train on-site in Colorado while client facilities are under construction.
2. Provide organizational charts and job descriptions to aid client management team in hiring within their local market.
3. If desired, embed a Senior Cultivation Team Member within the client’s facility for a defined period of time, beginning at a time mutually determined between us and the client. Upon completion of the service agreement, opportunity for full-time employment is typically made available to client.
4. If desired, embed a Senior Processing Team Member within the client’s facility for a defined period of time, beginning at a time mutually determined between us and the client. Upon completion of the service agreement, opportunity for full-time employment is typically made available to client.
5. If desired, embed a Senior Dispensary Team Member within the client’s facility for a defined period of time, beginning at a time mutually determined between us and the client. Upon completion of the service agreement, opportunity for full-time employment is typically made available to client.
6. All costs for the above services to be covered by the client including time and expense.

Revenue for managed services is derived on a fee basis for ongoing support and also incentivized by production metrics tied to overall facility performance. These services are typically provided through a custom assessment and bidding process.

GROUP 2 – Nutrients and other Products

Success Nutrients

Success Nutrients was incorporated in Colorado on May 5, 2015. Since inception it has been engaged in the manufacturing and wholesale and retail distribution of nine different plant nutrients for cannabis, each of which comes in three separate sizes and which has been primarily marketed to the cannabis industry, more specifically, cultivation experts and other growers in the cannabis industry in Colorado. Each of its nine product lines are sold in three separate sizes, with retail pricing ranging from \$25-\$30 for small packages up to a range of \$200-\$400 for large packages.

The development of Success Nutrients product line was the result of consolidation of all the micro and macro nutrients found to produce the most grams of cannabis flower per square foot while achieving the highest quality possible. Until January 2017, operations were primarily directed towards the cannabis industry in the state of Colorado. Subsequently, Success Nutrient's products were successfully registered with the state agricultural departments for California, Oregon, Washington, Arizona and Michigan, as well as in Canada. Prior to obtaining this registration these products were only able to be purchased online. As a result of being registered, all Success Nutrients products can now be displayed on retail shelves in those aforesaid states. We will continue to pursue product registration in other states and countries prioritizing those locations that provide greater market size for these products.

The Success Nutrients brand provides one of the key underpinnings of the cultivation methodology and is essential to the overall Three A Light TM performance metric, which is discussed more fully below under "Business of Pono." With an investment of two years of research, development and intense testing, this product line was specifically formulated for the cannabis industry.

Our goal is to revolutionize modern cannabis gardening as it is currently known with an emphasis on stronger plants, healthy flowers and an overall cleaner product. Generally, growers of cannabis have been able to generate per grow light. By using both the nutrients offered by Success Nutrients, together with the process offered by Pono, results have more than doubled in some cases. While no assurances can be provided that we will be able to duplicate these results, if successful we believe that this will add substantial growth to our existing cannabis consulting operation, especially as the cannabis industry continues to grow and expand as additional states approve the use and cultivation of medical and recreational marijuana. We believe that if we offer prospective new clients the opportunity to learn cultivation techniques that allow them to increase production over their competitors, our business will increase. As explained above, the combination of Success Nutrients and Pono techniques has directly resulted in the creation of a new line of consulting services that improve the performance of current cultivations.

The Big Tomato Hydroponics Retail

Two JS LLC, dba The Big Tomato operates a retail location in Aurora, CO. It has been a leading supplier of hydroponics & indoor gardening supplies in Denver, Colorado and the surrounding communities since May 2001. It has established a reputation as a store that is fully stocked, has great pricing and has a very knowledgeable staff. It has continued to provide thousands of indoor gardeners and commercial growers with top quality hydroponic supplies at the best prices. The store maintains an extremely large inventory of hydroponic and gardening supplies. Big Tomato's new website, TheBigTomato.com was created for the discriminating indoor gardener who is looking for reliable gardening help and customer service while at the same time enjoying the great savings on the products they want to purchase. The website is supported by the company's brick-and-mortar store located in Aurora, Colorado. Every sales staff member is an experienced grower that is trained to service customers and answer any questions. Products include indoor gardening products, grow boxes, grow lights, hydroponic systems, ballasts, bulbs, nutrients and additives, and other high-end hydroponic items.

By acquiring this business division, the company expects it will be able to increase the lifetime value of each consulting company significantly. In addition, to providing consulting to our client base we will be able to not only sell them nutrient products but also many of the other items needed to operate their grow to our specifications.

GROUP 3 – Direct Cannabis Operations

On January 10, 2019 the company announced that it would be moving into direct plant touching operations as the laws in Colorado change to allow these acquisitions to take place. It is expected that a significant portion of the company's growth in the coming years will be derived from these operations. There were no revenues generated from this operation.

MARKETING

We conduct our marketing efforts by providing a presence at specifically targeted industry-based events, as well as through Medicine Man Denver's and Super Farm's established industry presence as a successful cannabis company and as such, we have been able to garner a substantial presence via this relationship. Because the cannabis industry is relatively new, there are very few groups and companies who can identify themselves as having actual past as well as ongoing industry experience, so we feel we will continue to be at the top of that list as a result of our management's experience with all aspects of the industry. See "*Part II Item 10, Directors, Executive Officers and Corporate Governance.*"

We are members of various industry groups and attend industry-based conferences which are helpful to advancing our brand and skill sets. We created a marketing collateral materials bank and attended our first true marketing event in November 2014 at the Third National CannaBusiness Conference and Expo in Las Vegas and have continued to remain as Platinum Level Sponsors of those two events annually. The fall event this year (2017) held at the Las Vegas Convention Center was the largest Cannabis event ever offered here in the US, drawing approximately 18,000 participants. We will continue to market our licensing and related services to the cannabis industry through participation in various trade show events, continual use of free public content through interviews with our principals such as currently provided on CNN and MSNBC, direct referrals from satisfied licensees or past clients, various web presence advertising options utilizing specific industry related web sites and google ad words, and additional measures we may choose to deploy from time to time.

We also continue to coalesce interest and a presence within the industry through participation in various events and through direct promotion which have become available to Medicine Man and the Williams family, including being featured in MSNBC's 'Pot Barons' series and detailed inclusion in other outlets such as MSNBC, Inc. Magazine, Katie Couric Live, The Today Show, the BBC, CBS, NBC, LeMonde, ABC, HBO, and many other national and international media. We work to continually develop earned media sources noting elements of our licensor, Medicine Man Denver have been mentioned or featured in various national media sources many times since our inception in March 2014. In addition, members of our team are featured regularly as subject-matter experts and appear as guest speakers; industry panel discussion members; and have been quoted or covered in full-feature articles in publications in both the U.S. and abroad. In addition to other national and industry publications, our professionals have most recently been quoted in US News and World Report, Inc. Magazine, CBE Press, and MJ Business Daily.

Joshua Haupt, via his Success Nutrients line as well as Pono Publications (Three-A-Light) has also been featured in many trade publications as well as at various cultivation show events nationally and has more recently been referred to as the 'Steve Jobs' of Marijuana (Civilized, Dope and High Times Magazines). His experience underscored by passion has allowed him to become one of the most prolific cultivators of cannabis in the country. More information about his businesses can be found at either www.threelight.com or www.successnutrients.com.

As we grow and mature with the cannabis industry we believe we will continue to identify new opportunities to expand our service offering groups. We are already working in harmony with other consultants within the industry who lack certain experience or skills through licensure of specific cultivation technologies, with specific protections and non-disclosure agreements in place. We do not provide our operations manual of training to potential licensees until they have a state granted license in place.

We continue to enhance our web presence (<http://www.medicinamantechologies.com/>), including providing updates to our home page, and links to our SEC reports (through OTC Markets) and industry partners. While no assurances can be provided, we believe these upgrades will make our Internet presence more effective in the delivery of information related to our developing business.

We also intend to evaluate new business opportunities as they come to our attention through these various marketing activities as we continue to expand our brand warehouse and national presence in the cannabis industry. See *“Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.”*

GROWTH BY ACQUISITION

As described above, we have successfully completed the recent acquisitions of Pono Publications (Three-A-Light), Success Nutrients, and the Denver Consulting Group and are actively seeking other opportunities that fit within our general business strategy.

Ultimately, our intent is to become both a nationally (mid-term goal) and internationally (longer term goal) recognized cannabis consulting company as well as a fully vertically integrated multistate cannabis operator.

We also plan to grow through the acquisition of related, complimentary businesses. In doing so we expect to increase revenues and profits by providing a broader range of services in vertical markets which are consolidated under one parent, thus realizing synergies between the brands to increase sales on multiple fronts; reducing overhead costs by streamlining operations; and eliminating duplicitous efforts and costs. There are no assurances that we will increase profitability if we are successful in acquiring other synergistic companies.

Management continues to seek out and evaluate related, complimentary businesses for acquisition. The integrity and reputation of any potential acquisition candidate will first be thoroughly reviewed to ensure it meets with management’s standards. Once targeted as a potential acquisition candidate, we will enter into negotiations with the potential candidate and commence due diligence evaluation, including its financial statements, cash flow, debt, location and other material aspects of the candidate’s business. If we are successful in our attempts to acquire synergistic companies utilizing our securities as part or all of the consideration to be paid, our current shareholders will incur dilution.

In implementing a structure for a particular acquisition, we may become a party to a merger, consolidation, reorganization, joint venture, or licensing agreement with another corporation or entity. We may also acquire stock or assets of an existing business.

As part of our investigation, our officers and directors will meet personally with management and key personnel, may visit and inspect material facilities, obtain independent analysis of verification of certain information provided, check references of management and key personnel, and take other reasonable investigative measures, to the extent of our limited financial resources and management expertise. The manner in which we participate in an acquisition will depend on the nature of the opportunity, the respective needs and desires of us and other parties, the management of the acquisition candidate and our relative negotiation strength.

We will participate in an acquisition only after the negotiation and execution of appropriate written agreements. Although the terms of such agreements cannot be predicted, generally such agreements will require some specific representations and warranties by all of the parties thereto, will specify certain events of default, will detail the terms of closing and the conditions which must be satisfied by each of the parties prior to and after such closing, will outline the manner of bearing costs, including costs associated with our attorneys and accountants, will set forth remedies on default and will include miscellaneous other terms.

Depending upon the nature of the acquisition, including the financial condition of the acquisition company, as a reporting company under the Securities Exchange Act of 1934 (the "34 Act"), it may be necessary for such acquisition candidate to provide independent audited financial statements. If so required, we will not acquire any entity which cannot provide independent audited financial statements within a reasonable period of time after closing of the proposed transaction. If such audited financial statements are not available at closing, or within time parameters necessary to ensure our compliance with the requirements of the 34 Act, or if the audited financial statements provided do not conform to the representations made by the candidate to be acquired in the closing documents, the closing documents will provide that the proposed transaction will be voidable, at the discretion of our present management. If such transaction is voided, the agreement will also contain a provision providing for the acquisition entity to reimburse us for all costs associated with the proposed transaction.

ADDITIONAL BUSINESS OPPORTUNITIES

The cannabis industry is developing rapidly. As it continues to develop we believe additional business opportunities will arise.

Recently the Company agreed to support the possible deployment of certain new regulations in Colorado related to public company holding of Cannabis related licenses. To this end we have engaged several various resources for support of this initiative and expect that any final resolution of passage of this legislation (HB 19-1090) to occur no later than May of 2019. Should this initiative be successful we expect to explore several opportunities within Colorado for potential alignment, acquisition, consulting services, or other options related to our potential for growth in the future. There are no assurances this legislation will be adopted.

In January 2019 the company entered into a letter of intent to acquire business assets that are partially owned by the Williams family, as disclosed in prior filings pending HB 19-1090 being passed, while there can be no assurances that any particular piece of legislation will pass the Company is hopeful that this acquisition will proceed.

GOVERNMENT REGULATIONS

Marijuana is a Schedule-I controlled substance and is illegal under federal law. Even in those states where the use of marijuana has been legalized, its use remains a violation of federal laws. Those federal prohibitions notwithstanding there are a number of US marijuana companies listed on by the OTC Market, e.g. Terra Tech Corp. symbol TRTC.

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 Department of Justice defines Schedule 1 controlled substances as "the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence."

As of the date of this report, 33 states allow their citizens to use Medical Marijuana, with Utah and Missouri being the most recent states to add medical regulation. Additionally, voters in the states of Colorado, Washington, Alaska, Oregon, California, Nevada, Maine, Massachusetts, Vermont, Michigan, and the District of Columbia have all approved legalization of cannabis for adult use. The state laws are in conflict with the Federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. If the federal government decides to enforce the Controlled Substances Act with respect to marijuana, persons that are charged with distributing, possessing with intent to distribute, or growing marijuana could be subject to fines and imprisonment, the maximum being life imprisonment and a \$50 million fine. Any such change in the federal government's enforcement of current federal laws will cause significant financial damage to us.

Globally 31 countries allow the use of medical marijuana and two of those countries have fully legalized marijuana, Canada and Uruguay. Global opening of marijuana markets is trending globally.

In a Forbes article, United States Secretary of the Treasury, Steven Mnuchin, testified stating, "...Mnuchin confirmed that the department is "reviewing the existing guidance." But he clarified that he doesn't want to rescind it without having an alternate policy in place to address public safety concerns. A link to the article is below.

<https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#7dd96a9a3a53>

Previously, the Obama administration took the position that it was not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. The Trump administration has revised this policy. Specifically, the Attorney General rescinded the Cole Memorandum in favor of deferral of any enforcement of federal regulation to the individual states Department of Justice/US Attorney. However, certain other protections remain in place via budgetary element embedment (Rohrabacher-Farr amendment now referred to as the Rohrabacher-Blumenauer Amendment), which limits funding of any enforcement of anti-cannabis legislation. The Department of Justice has stated that it will continue to enforce the Controlled Substance Act with respect to marijuana to prevent:

- the distribution of marijuana to minors;
- criminal enterprises, gangs and cartels receiving revenue from the sale of marijuana;
- the diversion of marijuana from states where it is legal under state law to other states;
- state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- violence and the use of firearms in the cultivation and distribution of marijuana;
- driving while impaired and the exacerbation of other adverse public health consequences associated with marijuana use;
- the growing of marijuana on public lands; and
- marijuana possession or use on federal property.

Since the use of marijuana is illegal under federal law, federally chartered banks must follow the FINCEN guidelines when banking the marijuana industry companies. This adds risk and expense for the banks that most are unwilling to bare. Consequently, businesses involved in the marijuana industry often have trouble finding a bank willing to accept their business. The difficulty opening bank accounts may make it difficult for our clients and MMT to operate. MMT currently has bank accounts with banks that do follow the FINCEN guidelines and we anticipate this banking relationship to continue. There does appear to be recent legislative movement at the Federal level to open banking further for the marijuana industry. The House Financial Services Committee recently voted 45 to 15 to advance legislation titled, "SAFE Banking Act" (<https://www.govtrack.us/congress/bills/116/hr1595>), to the full House body. If signed into law, the "Safe Banking Act" will create protections for depository institutions that provide financial services to cannabis-related legitimate businesses and service providers for such businesses, and for other purposes.

Of broader reach than the SAFE Banking Act, on April 4, 2019, a bipartisan team of legislators re-introduced companion versions of the Strengthening the Tenth Amendment Through Entrusting States Act (the “STATES Act”) (<https://www.congress.gov/bill/115th-congress/senate-bill/3032/all-info>) in both the Senate and the House. The STATES Act would amend the Controlled Substances Act (the “CSA”) to restrict federal enforcement against state-legal cannabis activity. In particular, the bill prevents the application of the Controlled Substances Act to individuals or companies acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marijuana. In addition, the law would prevent forfeiture of any assets derived from state-legal marijuana business and would exempt state-legal marijuana business from the definition of “specified proceeds of illegal activity” under the money laundering laws. In announcing the bill, Rep. David Joyce said that “current federal policy interferes with the ability of states to implement their own cannabis laws, and the resulting system has stifled important medical research, hurt legitimate businesses and diverted critical law enforcement resources needed elsewhere.” The STATES Act was introduced in Congress in 2018, and President Trump commented that he would “probably end up supporting that” despite the well-known opposition of his then-Attorney General Jeff Sessions. The STATES Act would be a significant step toward eliminating the issues posed by dueling federal and state law with regard to cannabis. Not only does the STATES Act provide that the CSA is inapplicable to state-legal cannabis activities, it would make clear that federal money laundering and asset forfeiture laws are inapplicable to funds derived from state-legal cannabis activities. If enacted, this law would go further than any other bill introduced to date, including the SAFE Act, to remove the significant hurdles that exist for state-compliant businesses and individuals to expand their cannabis businesses.

Although cultivation and distribution of marijuana for medical use is permitted in many states, provided compliance with applicable state and local laws, rules, and regulations, marijuana is illegal under federal law. Strict enforcement of federal law regarding marijuana would likely result in the inability to proceed with our business plan and could expose us and our management to potential criminal liability and subject their properties to civil forfeiture. Though the cultivation and distribution of marijuana remains illegal under federal law, the House Appropriations Committee approved, by a bipartisan voice vote, an amendment by Rep. David Joyce, an Ohio Republican and former prosecutor, to attach the medical marijuana protections to the FY2019 Commerce, Justice and Science appropriations bill. The provision – previously called the Rohrabacher-Blumenauer Amendment and, before that, Rohrabacher-Farr – prohibits the Justice Department from using funds to interfere with state medical marijuana programs or to prosecute MMJ businesses compliant with those state laws.

In order to participate in either the medical or recreational sides of the marijuana industry in Colorado and elsewhere, all businesses and employees must obtain licenses from the state and, for businesses, local jurisdictions. Colorado issues six types of business licenses including cultivation, manufacturing, dispensing, transport, research license and testing. In addition, all owners and employees must obtain an occupational license to be permitted to own or work in a facility. All applicants for licenses undergo a background investigation, including a criminal record check for all owners and employees.

Colorado has also enacted stringent regulations governing the facilities and operations of marijuana businesses. All facilities are required to be licensed by the state and local authorities and are subject to comprehensive security and surveillance requirements. In addition, each facility is subject to extensive regulations that govern its business practices, which includes mandatory seed-to-sale tracking and reporting, health and sanitary standards, packaging and labeling requirements, and product testing for potency and contaminants.

Laws and regulations affecting the medical marijuana industry are constantly changing, which could detrimentally affect our proposed operations. Local, state and federal medical 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 our operations. It is also possible that regulations may be enacted in the future that will be directly applicable to our business. These ever-changing regulations could even affect federal tax policies that may make it difficult to claim tax deductions on our returns. 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 its business.

Over the past three years, MMT has supported legislation in Colorado to allow licensed cannabis companies in Colorado to trade their securities, provided they are reporting companies under the Securities Exchange Act of 1934, as amended. HB19-1090 (<https://leg.colorado.gov/bills/hb19-1090>) titled, “Publicly Licensed Marijuana Companies” is currently under consideration in the Colorado legislature. The bill, if signed into law, repeals the provision that prohibits publicly traded corporations from holding a marijuana license in Colorado. MMT has taken action to help to lead and support this bill. We expect a decision to occur on this legislation by the beginning of May 2019. Should this legislation be adopted we intend to acquire cannabis licensed companies within Colorado, provide to them consulting services, and/or other opportunities. There are no assurances this legislation will be adopted.

EMPLOYEES

As of the date of this report, we employ twenty-five (25) full time employees and a number of specialty contractors providing support for various elements including media, marketing, state registration of nutrient products, website evolution and new app development.

None of our employees are represented by a labor union or a collective bargaining agreement. We consider our relations with our employees to be good.

COMPETITION

We face competition from an ever-increasing number of consulting service providers in the cannabis industry. We currently know professionally of at least twenty plus such providers in this space, not including law firms and other professional entities. We are continually monitoring their progress and presence in the industry while working to continue to demonstrate our unique licensing offering.

There are many sources of competitive influencers, one such aggregator of such lists, Marijuana Business Daily, shows about 620 various consultants in the industry within the United States (<https://industrydirectory.mjbizdaily.com/consultant-services>).

TRADEMARKS - TRADENAMES

We rely upon our various trademark, trade name, and intellectual property of our license partner Medicine Man Denver and will, in the future and as appropriate, develop such elements as we may determine valuable to our business. We also acknowledge that certain protections normally available to us related to design or other utility patents in the cannabis industry would not currently be enforceable under federal law. We attempt to protect our intellectual property via the deployment of non-disclosure agreements with both prospects and licensees. There are no assurances that these non-disclosure agreements will prevent a third party from infringing upon our rights.

Pono and SNI uses a combination of copyright, trade secret laws and confidentiality agreements to protect its proprietary intellectual property. We intend to aggressively register for patent protection if and when the federal government eliminates cannabis prohibition. Intellectual property counsel has advised that any effort to register a patent relating to the cultivation of marijuana would currently be unsuccessful. (See Item 3)

INDUSTRY ANALYSIS

Nationally, the industry has continued to gain ground through the addition of many states and their passing of medical and or recreational provisions for the use of cannabis. While there certainly appears to be a trend towards acceptance of cannabis, there are no assurances offered that this business will be able to sustain itself over time if the Federal Government changes its current position related to state legalized operations.

In November 2018, the addition of eight (8) new states passing either a medical or adult use initiative pushes the number of states having active cannabis-based legislation up to thirty-three (33) and District of Columbia noting ten (10) of these states now include adult use components.

While there have been many observations and prognostications relative to the recent elections, there has been no specific laws passed by the federal government to change the federal prohibition of marijuana.

In Colorado the state has continued to set new sales growth-related records, generating about \$1.54B in gross sales in FY 2018; up from the \$1.51B recorded in FY 2017 noting much of those sales were related to adult use and the robust tourist industry. It is noteworthy that these record sales occurred in a marketplace where the overall wholesale price market has experienced a significant drop off since the initiation of adult sales in early 2014. Wholesale flower has dropped from a high in early 2014 of \$4,000+ a pound to approximately \$1,000 a pound (indoor, 2018).

While no assurances can be provided, we believe that over the next three to five years there will be as many additional states adopting various types of cannabis legislation (medical and/or adult use) and if this happens, we believe that there will occur a certain tipping point by which the Federal Government will have to take some sort of stand on the legal status of cannabis. We also believe that due to the strong growth in the industry as a whole at the state level, the Federal Government will eventually de-schedule cannabis, similar to the alcoholic beverage prohibition repeal in the mid 1930's, and as motivated by its citizenry decriminalize cannabis and regulate it under the auspices of some existing or newly formed agency.

Our Website

Our website address is www.medicinemanotechnologies.com. Information found on our website is not incorporated by reference into this report. We make available free of charge through our website our Securities and Exchange Commission, or SEC, filings furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS

We are a smaller reporting company and not required to include this disclosure in our Form 10-K annual report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our Havana Street, Denver, Colorado location consists of 12,097 square feet of executive office space. The lease term is 36 months and expires in February 2020. Until February 28, 2019, we paid monthly rent of \$13,000. The Lease provides for monthly rent of \$14,500 from March 1, 2019 through February 29, 2020. We also pay our percentage of base operating expenses.

Our supply store/warehouse location is party to a lease at 695 Billings St. Aurora, CO, which consists of approximately 12,800 sq. ft. of office and warehouse space. Monthly base rent for this location is currently \$9,559.59, running through June 30, 2020.

It is anticipated that our current leases shall be sufficient for our needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

On July 6, 2018, we filed a complaint in the Eighth Judicial Court, Clark County, Nevada against Vegas Valley Growers ("VVG"). Within the complaint, the Company alleges the breach by VVG of that certain Technologies License Agreement dated April 27, 2017 entered into between the parties and seeks general, special, and punitive damages in the amount of \$3,876,850.14. On August 28, 2018, VVG filed an Answer and Counterclaim against the Company. A jury trial has been set for July 1, 2019. MMT intends to diligently pursue the suit and defend against the Counterclaim.

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

Market Information

Trading of our Common Stock commenced on the OTCQB on or about January 25, 2016. On or about October 5, 2018, our common stock commenced trading on the OTCQX and currently trades under the symbol "MDCL."

The table below sets forth the reported high and low bid prices as of the dates indicated. The bid prices shown reflect quotations between dealers, without adjustment for markups, markdowns or commissions, and may not represent actual transactions in our Common Stock.

| <u>Quarter Ended</u> | <u>High</u> | <u>Low</u> |
|----------------------|-------------|------------|
| March 31, 2017 | \$ 2.99 | \$ 1.65 |
| June 30, 2017 | \$ 2.05 | \$ 1.26 |
| September 31, 2017 | \$ 1.51 | \$ 0.92 |
| December 31, 2017 | \$ 2.54 | \$ 1.55 |
| March 31, 2018 | \$ 1.75 | \$ 1.70 |
| June 30, 2018 | \$ 1.65 | \$ 1.42 |
| September 31, 2018 | \$ 1.67 | \$ 1.60 |
| December 31, 2018 | \$ 1.40 | \$ 1.24 |

As of April 15, 2019, the closing bid price of our Common Stock was \$3.02.

Trading volume in our Common Stock varies from day to day. Because we do not have a high number of shares issued and outstanding, or eligible to trade, we believe we will continue to experience light volume that will expand over time as our revenues and profitability grow to sustainable levels. As a result, the trading price of our Common Stock is subject to significant fluctuations in both volume and pricing.

Holders

As of April 15, 2019, we had 7,012 holders of record of our Common Stock (6,337 as shown in our NOBO list and 675 within our Transfer Agent's restricted shares shareholder list) not including those persons who hold their shares in an "objecting owner name" (OBO) trading account.

Stock Transfer Agent

The stock transfer agent for our securities is Globex Transfer, LLC, 780 Deltona Blvd., Suite 202, Deltona, FL 32725, phone (813) 344-4490.

Dividends

We have not paid any dividends since our incorporation and do not anticipate the payment of dividends in the foreseeable future. At present, our policy is to retain earnings, if any, to develop and market our products and services. The payment of dividends in the future will depend upon, among other factors, our earnings, capital requirements, and operating financial conditions.

Reports

We are subject to certain reporting requirements and furnish annual financial reports to our stockholders, certified by our independent accountants, and furnish unaudited quarterly financial reports in our quarterly reports filed electronically with the SEC. All reports and information filed by us can be found at the SEC website, www.sec.gov, as well as on our website, www.medicinemanttechnologies.com.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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

The following discussion should be read in conjunction with our audited 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 and History

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.medicinemanttechnologies.com.

Results Of Operations

Comparison of Results of Operations for our fiscal years ended December 31, 2018 and 2017

Revenues

During our fiscal year ended December 31, 2018, we generated revenues of \$9,442,555, compared to revenues of \$3,529,584 during 2017, an increase of \$5,912,971 (168%). This increase was as a result of master licensing fees of \$3,518,322 and cultivation max/litigation revenue of \$1,539,317, areas in which we did not generate revenue previously. We also added new clients as a result of new states adopting cannabis legislation and initiatives, both medical and adult-use and the related initial consulting work required to be successful in securing clients in these emerging markets. Future growth will mostly be derived from cannabis licensed operations.

Though there can be no assurance, our expectation is that Colorado House Bill 19-1090, a bill allowing public company ownership of Colorado cannabis licensed companies, will pass by May of this year and be effective late this year or in Q1 of 2020. This will allow us to close our recently announced acquisitions of Medicine Man Denver and MedPharm Holdings near the end of 2019 or early 2020. Therefore, our expectation is that it will require a significant amount of management's time to facilitate this growth and prepare acquisitions to be consolidated in 2019 with the increase in revenue coming in 2020. Though there could be modest revenues from managements contracts for these companies in 2019, overall we expect revenues in 2019 to be fairly flat as we move through this transition period.

For further breakdown purposes, consulting and licensing fees are somewhat synonymous with the term licensing fees as described in FY 2019 performance. The comparison of existing revenue streams for this period would then be related to the total of product sales, licensing, consulting, reimbursements and other revenue in FY 2018, or a value of \$4,368,493 as compared with the revenue generated in FY 2017 of \$3,529,584 or, an increase of 24% as it relates to year on year growth of existing revenue elements.

Cost of Services

We recognize income for licensing and consulting revenues upon set milestones being achieved, such as license approval or receiving the required business license. This can cause certain billing periods to be lower if those milestones are not achieved until after milestone is achieved, regardless of how close we may be to reaching the milestone and completing billings.

During 2018, our cost of services was \$2,577,510, compared to \$1,302,281 during 2017, an increase of \$1,275,228 or 98%. The primary cause of this increase in costs were related to the addition of several contract service providers needed to fulfill certain requirements set forth in our agreements, the acquisition that occurred during the year and our costs related travel required to properly service these clients.

Operating Expenses

Operating expenses decreased in 2018 compared to 2017. In 2018, we incurred total operating expense of \$4,694,704, compared to \$7,463,253, a decrease of \$2,768,549 or 37%. This decrease was primarily as a result of stock compensation expense, which was \$4,805,318 in 2017, compared to \$1,457,250 in 2018, a decrease of \$3,348,068 or 70%. Advertising expenses increased by 59% to \$291,711 in 2018, from \$183,752 in 2017, an increase of \$107,959. Furthermore, during 2018 the Company had professional services fees of \$885,149, conference/travel costs of \$358,164, salaries of \$984,679 and officers/director's incentive compensation of \$291,711. General and administrative expenses decreased from \$1,369,511 in 2017, to \$451,881 in 2018. A large portion of this decrease was due to recategorization of expenses. The Company had a large decrease in stock-based compensation from year to year. During 2018, the company incurred \$1,457,250 in stock-based compensation, compared to \$4,805,318 in 2017 a decrease of \$827,534 or 60%.

Other income/expenses increased in 2018 to \$573,875, from expense \$145,222 in 2017, this was due to several factors. The Company recognized a net loss of \$8,998 in 2018 due to the sale of certain fixed assets. Additionally, in 2018, the Company also recognized unrealized loss on investments of \$389,766 this was incurred due to our investment in CHV.

Net Income

The Company generated net income in 2018 of \$948,915 (approximately \$0.04 per share), compared to a net loss of \$5,381,172 (\$0.23 per share) in 2017.

While the Company raised additional capital in FY 2018, we expect to continue to explore the deployment of additional capital as may be determined necessary by the Company to accomplish its general corporate goals. We note that our total current assets increased dramatically from \$1,384,687 in FY 2017 to \$3,449,231 in FY 2018 representing an overall increase of \$2,064,544 or 149%.

Liquidity and Capital Resources

As of December 31, 2018, the Company had cash and cash equivalents of \$321,788.

Net cash earned from operating activities was \$1,287,460 during the year ended December 31, 2018, compared to \$673,997 used in 2017, an increase of \$1,961,457. While no assurances can be provided, we anticipate we will generate positive cash flow from operations in 2019.

Cash flows used for investing activities was \$149,880 in 2018, compared to cash used of \$33,902 in 2017.

Cash flows from financing activities was \$1,000,000 in 2018, compared to \$1,105,000 in 2017. In 2018 the Company received proceeds of \$1,000,000 from the private sale of our common stock.

On July 9, 2018, the Company issued 625,000 shares of Common Stock under its 2017 Qualified Incentive Plan to various individuals in consideration of their services rendered in support of the Company resulting in recognizing compensation expense of \$837,500 based upon the closing stock price on July 9, 2017 at \$1.34 per share.

On December 14, 2018, the Company issued 175,000 shares of Common Stock under its 2017 Qualified Incentive Plan to various individuals in consideration of their services rendered in support of the Company resulting in recognizing compensation expense of \$246,750 based upon the closing stock price on December 14, 2017 at \$1.41 per share.

On or about March 31, 2018, the Company had \$2,100,318 in issued warrants exercised for 1,091,000 shares of Common Stock. This was a cashless exercise and there were no proceeds for the Company.

On or about September 17, 2018, the Company issued 1,933,329 shares of its Common Stock as part of the consideration in acquiring Two JS LLC.

On or about June 1, 2018, the Company sold 937,647 shares of Common Stock to a private investor of the Company, at a value of \$1.0665 per share for cash of \$1,000,000.

While no assurances can be provided, we believe we will generate positive cash flow from our operations in 2019. If we are successful in achieving this objective, of which there can be no assurance, we do not believe we will need to raise any additional capital and that the revenue generated will be sufficient to allow us to implement our current business plan. However, if we do not generate positive cash flow, or we identify an acquisition which we believe will significantly impact our business operations in a positive manner, or unforeseen developments occur, we may need to raise additional capital, either debt, equity or both. At this time, we are unable to state how much capital we will need. As of the date of this Report we have no commitment from any investor or investment-banking firm to provide us with any funding and there can be no assurances we will obtain such funding in the future. Failure to obtain this additional financing may have a material negative impact on our ability to generate profits on a regular basis in the future.

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 year ended December 31, 2018.

Critical Accounting Estimates and Recent Accounting Pronouncements

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are 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. Actual results may differ from these estimates under different assumptions or conditions. The following represents a summary of our critical accounting policies, defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Leases – We follow the guidance in SFAS No. 13 “*Accounting for Leases*,” as amended, which requires us to evaluate the lease agreements we enter into to determine whether they represent operating or capital leases at the inception of the lease.

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 expect the adoption of ASU 2016-02 to have an impact on our consolidated financial statements starting January 1, 2019.

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.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MEDICINE MAN TECHNOLOGIES INC.

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Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Medicine Man Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Medicine Man Technologies, Inc. as of December 31, 2018 and 2017, the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

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 audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit 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 audit provides a reasonable basis for our opinion.

/S/ BF Borgers CPA PC
BF Borgers CPA PC

We have served as the Company's auditor since 2016
Lakewood, CO
April 16, 2019

MEDICINE MAN TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

Expressed in U.S. Dollars

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 321,788 | \$ 748,715 |
| Accounts receivable | 1,180,757 | 461,343 |
| Accounts receivable - related party | 125,112 | 25,719 |
| Litigation receivable | 1,281,511 | - |
| Inventory | 489,239 | 106,091 |
| Other assets | 50,824 | 42,819 |
| Total current assets | 3,449,231 | 1,384,687 |
| Non-current assets | | |
| Fixed assets, net accumulated depreciation of \$149,015 and \$82,038 | 94,640 | 150,047 |
| Intangible assets, net accumulated amortization of \$13,903 and \$7,388 | 81,197 | 87,712 |
| Goodwill | 12,304,306 | 9,304,306 |
| Investment | 2,199,344 | - |
| Long-term note receivable, net of allowance | 92,888 | 191,111 |
| Other non-current assets | - | 14,500 |
| Total non-current assets | 14,772,375 | 9,747,676 |
| Total assets | \$ 18,221,606 | \$ 11,132,363 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 202,515 | \$ 123,251 |
| Accounts payable - related party | 71,312 | 155,177 |
| Accrued expenses | 291,084 | - |
| Accrued taxes | 582,931 | - |
| Other liabilities | - | 56,495 |
| Total current liabilities | 1,147,842 | 334,923 |
| Long-term liabilities | | |
| Note payable - related party | - | 58,280 |
| Total long-term liabilities | - | 58,280 |
| Total liabilities | 1,147,842 | 393,203 |
| Commitments and contingencies, note 13 | | |
| Shareholders' equity | | |
| Common stock \$0.001 par value. 90,000,000 authorized, 27,753,310 and 22,991,137 were issued and outstanding December 31, 2018 and December 31, 2017, respectively. | 27,875 | 23,113 |
| Additional paid-in capital | 20,239,163 | 13,997,441 |
| Additional paid-in capital - Warrants | 2,647,461 | 3,508,256 |
| Retained earnings | (5,840,735) | (6,789,650) |
| Total shareholders' equity | 17,073,764 | 10,739,160 |
| Total liabilities and stockholders' equity | \$ 18,221,606 | \$ 11,132,363 |

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) AND INCOME
For the Twelve Months Ended December 31, 2018 and 2017
Expressed in U.S. Dollars

| | Twelve Months Ended December 31, | |
|--|---|-----------------------|
| | 2018 | 2017 |
| Operating revenues | | |
| Product sales, net | \$ 1,476,169 | \$ 550,986 |
| Product sales - related party, net | 555,434 | 532,222 |
| Litigation revenue | 1,518,099 | - |
| Cultivation Max | 21,218 | - |
| Master licensing fees | 3,518,322 | - |
| Licensing fees | 751,414 | 1,425,806 |
| Consulting fees | 1,519,861 | 930,857 |
| Reimbursements | 59,995 | 47,945 |
| Services - related party | 16,423 | - |
| Seminars and others | 5,620 | 41,768 |
| Total revenue | <u>9,442,555</u> | <u>3,529,584</u> |
| Cost of goods and services | | |
| Cost of goods and services | \$ 2,306,871 | \$ 1,033,678 |
| Cost of goods and services - related party | 270,639 | 268,603 |
| Total cost of goods and services | <u>2,577,510</u> | <u>1,302,281</u> |
| Gross profit | <u>\$ 6,865,045</u> | <u>\$ 2,227,303</u> |
| Operating expenses | | |
| General and administrative | \$ 451,881 | \$ 1,369,551 |
| Professional services | 885,149 | 543,314 |
| Acquisition costs | - | 150,261 |
| Stock based compensation expenses | 1,457,250 | 4,805,318 |
| Officers and directors bonuses | 265,871 | 150,392 |
| Advertising | 291,711 | 183,782 |
| Conference and travel expenses | 358,164 | - |
| Salaries | 984,678 | 260,635 |
| Total operating expenses | <u>\$ 4,694,704</u> | <u>\$ 7,463,253</u> |
| Income from operations | <u>\$ 2,170,341</u> | <u>\$ (5,235,950)</u> |
| Other income/expense | | |
| Interest income | \$ (30,001) | \$ (30,001) |
| Net loss on derivative liability | - | 14,459 |
| Interest expense related to convertible notes | - | 86,020 |
| Loss on sales of assets | 8,998 | - |
| Loss on management fee contracts | - | 70,257 |
| Bad debt expense | 196,112 | - |
| Net loss on available for sale securities | - | 4,706 |
| Unrealized loss on investments | 463,386 | - |
| Other income | - | (219) |
| Total other expense | <u>638,495</u> | <u>145,222</u> |
| Net (loss) income before taxes | <u>\$ 1,531,846</u> | <u>\$ (5,381,172)</u> |
| Income taxes | | |
| Income tax expense | 582,931 | - |
| Total income taxes | <u>582,931</u> | <u>-</u> |
| Net (loss) income | <u>\$ 948,915</u> | <u>\$ (5,381,172)</u> |
| Earnings per share attributable to common shareholders: | | |
| Basic (loss)/earnings per share | <u>\$ 0.04</u> | <u>\$ (0.23)</u> |
| Diluted (loss)/earnings per share | <u>\$ 0.03</u> | <u>\$ (0.23)</u> |
| Weighted average number of shares outstanding - Basic | <u>25,121,896</u> | <u>22,991,137</u> |
| Weighted average number of shares outstanding - Diluted | <u>27,769,357</u> | <u>22,991,137</u> |
| Comprehensive (loss) gain | <u>\$ 948,915</u> | <u>\$ (5,381,172)</u> |

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Twelve Months Ended December 31, 2018 and 2017
Expressed in U.S. Dollars

| | <u>Common Shares</u> | <u>Common Stock</u> | <u>Additional Paid-in Capital</u> | <u>Unrealized loss on AFS</u> | <u>Accumulated Earnings (Loss)</u> | <u>Total Equity</u> |
|---------------------------------------|----------------------|---------------------|---------------------------------------|-----------------------------------|--|----------------------|
| Balance - January 1, 2017 | 10,402,500 | \$ 10,403 | \$ 1,026,052 | \$ (4,303) | \$ (1,408,478) | \$ (376,326) |
| Stock issued as compensation | 1,500,000 | 1,500 | 2,539,499 | | - | 2,540,999 |
| Unrealized gain/(loss) AFS | - | - | - | 4,303 | - | 4,303 |
| Acquisitions | 9,255,544 | 9,258 | 9,470,130 | | - | 9,479,388 |
| Warrants issued | - | - | 2,100,318 | - | - | 2,100,318 |
| Stock for convertible debt | 601,648 | 718 | 787,220 | - | - | 787,938 |
| Stock issued for cash | 1,041,912 | 1,044 | 465,226 | - | - | 466,270 |
| Warrants issued for cash | - | - | 928,828 | - | - | 928,828 |
| Stock issued for services | 134,533 | 135 | 163,865 | - | - | 164,000 |
| Stock issued for cash (related party) | 55,000 | 55 | 24,559 | - | - | 24,614 |
| Net income for the period | - | - | - | - | (5,381,172) | (5,381,172) |
| Balance - December 31, 2017 | 22,991,137 | \$ 23,113 | \$ 17,505,697 | \$ - | \$ (6,789,650) | \$ 10,739,160 |
| Stock issued for warrants exercised | 1,091,197 | 1,091 | (1,091) | - | - | - |
| Stock issued as compensation | 800,000 | 800 | 1,456,450 | - | - | 1,457,250 |
| Adjustment for acquisition payment | | | (71,561) | | | (71,561) |
| Stock issued for cash | 937,647 | 938 | 999,062 | - | - | 1,000,000 |
| Stock issued for acquisition | 1,933,329 | 1,933 | 2,998,067 | - | - | 3,000,000 |
| Net income | - | - | - | - | 948,915 | 948,915 |
| Balance - December 31, 2018 | 27,753,310 | \$ 27,875 | \$ 22,886,624 | \$ - | \$ (5,840,735) | \$ 17,073,764 |

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Twelve Months Ended December 31, 2018 and 2017
Expressed in U.S. Dollars

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Net income (loss) for the period | \$ 948,915 | \$ (5,381,172) |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Loss (gain) on investment, net | 463,386 | 14,458 |
| Stock based compensation | 1,457,250 | 4,805,318 |
| Depreciation and amortization | 81,960 | 63,737 |
| Changes in operating assets and liabilities | | |
| Proceeds from note receivable | - | 72,905 |
| Accounts receivable | (2,100,318) | (462,062) |
| Inventory | (383,147) | (106,090) |
| Other assets | 6,495 | (15,839) |
| Accounts payable and other liabilities | 812,919 | 334,748 |
| Net cash earned (used) from operating activities | <u>1,287,460</u> | <u>(673,997)</u> |
| Cash flows from investing activities | | |
| Purchase of assets | (20,039) | (255,663) |
| Short term debt | (58,280) | - |
| Acquisition investment | (71,561) | 217,458 |
| AFS securities investment, net | - | 4,303 |
| Net cash used from investing activities | <u>(149,880)</u> | <u>(33,902)</u> |
| Cash flows from financing activities | | |
| Sale of common stock | 1,000,000 | 1,185,755 |
| Convertible debt | - | (80,665) |
| Net cash earned from financing activities | <u>1,000,000</u> | <u>1,105,090</u> |
| Net decrease in cash and cash equivalents | (426,927) | 397,191 |
| Cash and cash equivalents - beginning of period | 748,715 | 351,524 |
| Cash and cash equivalents - end of period | <u>\$ 321,788</u> | <u>\$ 748,715</u> |
| Non-Cash Transactions | | |
| Investment | \$ (2,662,730) | \$ - |
| Short Term Note Receivable | \$ 98,223 | \$ - |

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 fiscal year ended December 31, 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 \$321,788 and \$748,715 classified as cash and cash equivalents as of December 31, 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.

The Company is commencing legal action against two clients for breach of contract, adding a significant value into its receivables for fees that had been booked due to forbearance grants by the Company that were subsequent 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.

The following is the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis at December 31, 2018 and December 31, 2017, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| Level 3 – Non-Marketable Securities – Non-recurring | \$ 2,199,344 | \$ – |

Non-Marketable Securities at Fair Value on a Nonrecurring Basis — Certain assets are measured at fair value on a nonrecurring basis. The level 3 position consist of investments accounted for under the cost method. The Level 3 position consists of investments in equity securities held in private companies.

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, consulting and cultivation max revenues are recorded at the time the milestone is achieved resulting in the funds being due, services are delivered, and payment is reasonably assured. Licensing, consulting and cultivation max revenues are generally collected from 30 to 60 days after the invoice is sent. As of December 31, 2018, and December 31, 2017, the Company had accounts receivable of \$2,587,380 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 December 31, 2018 the accounts receivable for this matter totals \$1,281,511 and the revenue earned as of December 31, 2018 is \$1,518,099. 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).

Long 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. As of December 31, 2018, the Company has written off 100% or \$250,000 of this balance plus accrued interest of \$49,018. Due to this bad debt expense not being a part of the Company's normal business this expense is categorized in other income and expense on the income statement. Management is currently in discussions on how to recover this loan. Additionally, as a part of the above-mentioned contract with CHV, the Company also provided CHV with a matching lending facility of \$500,000 CAD in \$125,000 CAD increments. As of 12.31.18, the Company has loaned CHV \$125,000 CAD or \$92,888. The Company had \$92,888 and \$191,111 classified as long-term note receivable as of December 31, 2018, and December 31, 2017, respectively.

Other assets (current and non-current): Other assets at December 31, 2018, and December 31, 2017 were \$50,824 and \$57,319, respectively including \$29,005 in prepaid expenses and \$21,819 in two security deposits.

Accounts payable: Accounts payable at December 31, 2018, and December 31, 2017 were \$273,827 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 December 31, 2018, and December 31, 2017 were \$291,084 and \$56,495, respectively. At December 31, 2018, this was comprised of \$163,568 in customer deposits, \$21,330 in deferred rent expense and \$106,185 in accrued payroll.

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.

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.

Intellectual Property Master Licensing Agreement with ABBA Medix Corp.

On July 17, 2018, Medicine Man Technologies, Inc. the “Company” entered into an intellectual property license agreement with Abba Medix Corp. (AMC), a wholly-owned subsidiary of publicly-traded Canada House Wellness Group, Inc. (CHV).

The license agreement granted AMC the right to use products and processes related to high-efficiency cultivation of cannabis, as well as various inventions, ideas, discoveries, algorithms, designs, hardware, prototypes, copyrights, processes, mask works, trade secrets, know-how, calculations, testing results, technical data, documentation, potential customer contracts, marketing ideas and other technology in the cannabis cultivation industry, in addition to all related trademarks, from the Company. The license was granted as of the effective date of the agreement for an 18-month period and shall automatically renew for successive 18-month periods until the agreement is otherwise terminated.

As consideration for granting the license to AMC, the Company received the following:

- \$1,150,000 in cash;
- \$3,500,000 in shares of CHV common stock; and
- Ongoing licensing fees calculated as a percentage of AMC's sales revenue directly related to the Company's intellectual property.

ASC 606 provides guidance in determining the proper accounting treatment for the license of the intellectual property requiring the Company had to complete a sequence of analyses. These analyses include the following: (i) sale versus licensing transactions; (ii) distinct performance obligations; (iii) the nature of the license; and (iv) the timing of recognition based on the nature of the license. Based on an analysis of ASC 606, the Company determined the following:

- The license agreement establishes AMC's right to use the intellectual property; it does not transfer any of the Company's ownership in the assets. Therefore, the agreement is clearly identified as a licensing transaction.
- The license agreement grants AMC the right to use the intellectual property immediately and does provide for the transfer of any other goods or services to AMC. The property is capable of being distinct, and the promise to transfer the property is distinct within the context of the contract. The Company recognized its license as distinct and a separate performance obligation.
- The intellectual property is functional intellectual property as it has significant standalone functionality. The license agreement with AMC grants them with the exclusive right to use the Company's intellectual property immediately upon the date of the agreement. This date clearly represents a transfer of control to the customer. Further upon its effectiveness, the Company established the right to payment and the customer accepted the asset. As control has been transferred to the customer, the Company has satisfied its performance obligation and, as such, is entitled to immediately recognize the \$4,650,000 in revenue associated with the granting of the licensing rights.

Additionally, under the terms of the agreement, the Company agreed to provide a loan facility to AMC under the following terms:

"The Licensor (the Company) shall provide a lending facility to the Licensee (AMC) in \$125,000 increments of up to \$500,000; noting that any increment over the initial \$250,000 advanced shall only be funded upon the Licensee's funding of the second \$575,000 amount to the Licensor. Such lending facilities shall bear a nominal interest rate and carry terms, to be agreed to by both parties. Both parties agree that each of the Licensor's advances shall be first money in and first money to be repaid in accordance with the terms mutually agreed to.

The purpose of this lending facility was to provide financing support to AMC, the licensee of the Company's intellectual property, for investing in capital expenses that would allow them to generate revenue that would result in a royalty being paid to Medicine Man Technologies, Inc. The Company is entitled to receive 4% of the gross revenues associated with the sale of Success Nutrients ® by AMC over the term of the agreement. The Company considered the guidance under ASC 606 in determining whether or not the facility had any impact on the Company's ability to recognize revenue from the licensing agreement. Based upon the Company's analysis, the Company determined the business purpose of the financing facility that it provided to AMC, was a separate agreement with distinct responsibilities from the Company's performance obligations under the intellectual property license agreement. The Company considered the scope exceptions highlighted in 606-10-15-2(c) and determined that Topic 825, Financial Instruments more appropriately applied. The amount of revenue of \$4,650,000 that the Company recognized, was not reduced by the amount of the \$500,000 facility which the Company determined is a standalone contract with commercial substance and collectability. As of December 31, 2018, the Company recorded a trade accounts receivable on its balance sheet due from AMC of \$250,000.

On July 31, 2018, the license agreement was amended solely to eliminate the equal \$1,000,000 million-dollar stock swap element. Based upon the Company's analysis of ASC 606-10-25-13, the Company determined the modification represented the elimination of a stock swap between the Company and its customer's parent company, CHV. While the consideration had a defined value, the result of the modification does not beneficially or negatively impact either the Company or its customer. The Company determined that the remaining goods or services as of the time of the modification are not distinct and, form part of a single performance obligation that was partially, if not fully, satisfied. As the consideration represented an exchange of equal value between the two parties, the Company did not record any revenue adjustments (either as an increase or a reduction) due to the elimination of the stock swap.

Cultivation License Payment

On August 6, 2018, the Company entered into a license agreement with a client that was comprised of two basic elements:

Element One

The Company was hired to act as project management due to the Company's industry knowledge to help a client prepare to cultivate their crop. The Company completed all of its work to get them growing by December 31, 2018. This element of the Company's contract was simply charging an agreed upon fee for services performed. All fees were considered fully earned and were billed and collected in 2018.

Element Two

The second part of the license agreement called for the Company to receive a bonus equal to "25% of the value of the product grown over 2 pounds per light" for the next 5 years. "2 pounds per light" is a marijuana industry standard meaning that if the crop yield was above that standard, it would indicate that due to the Company's expertise that the client crop was "above standard". Under that clause, the Company would be sharing in the extra profit if it was achieved, because the expert advice provided by the Company would enable the client to generate a significant level of profit above industry standard. On December 14, 2018, the Company entered into an amendment to amend the terms of the August 6, 2018 license agreement:

- The term for receiving 25% of the value grown over 2 pounds per light, was reduced from *five* years to *three* years
- The 25% level was reduced to 5%
- In return, the Company received a \$1,000,000 fee which it billed in 2018 and collected in full in January 2019. Specifically, the wording in the addendum stated, "The aforementioned fee of \$1,000,000 shall be deemed earned by the Licensor (Medicine Man) upon the execution of this Addendum and shall be payable before January 15, 2019". The Company met all contractual terms prior to December 31, 2018 and have no ongoing contractual responsibility to provide consulting services in order to earn this fee. The client limited their exposure for potentially higher future payments by agreeing to a one-time payment of \$1,000,000.

The amendment also provided that the client will reimburse the Company up to \$11,000 a month for the cost of its employees if they are needed at the client's locations. The Company considered this a pass thru item where no profit was recognized. Under the guidelines of ASC 606-10-25-27, an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a. The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs (see paragraphs 606-10-55-5 through 55-6).
- b. The entity's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced (see paragraph 606-10-55-7).
- c. The entity's performance does not create an asset with an alternative use to the entity (see paragraph 606-10-25-28), and the entity has an enforceable right to payment for performance completed to date (see paragraph 606-10-25-29).

As a result of the contractual consulting services the Company provided for Element One, control of the services has been transferred to the customer. These services enhanced the client's crop output capabilities and clearly meet criteria (a) and (b) above, and, therefore were recorded as revenue in 2018.

With respect to Element Two in terms of considering revenue the method of recognition under 606, the following characteristics of the transaction were considered:

- The Company had no further performance obligations
- The customer contractually deemed this fee as earned
- The future potential value of the reduction from 25% over five years, to 5% over three years, is an asset that legally passed to the client.
- The customer paid the fee

Based on the analysis performed, the Company determined “control” at a point in time, transferred immediately to the client upon the signing of the amendment. As a result, the Company recorded a trade receivable of \$1,000,000 on its balance sheet as of December 31, 2018, and \$1,000,000 of revenue in its statement of operations for the year ended December 31, 2018. This \$1,000,000 receivable was fully received in January of 2019.

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 were \$291,711 and \$183,782 during the twelve-month periods ended December 31, 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 \$1,457,250 in expenses for stock-based compensation to employees and consultants during the nine months ended December 31, 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 expect the adoption of ASU 2016-02 to have an impact on our consolidated financial statements starting January 1, 2019.

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:

The Company's initial authorized stock at inception was 1,000,000 Common Shares, par value \$0.001 per share. In 2016 the Company subsequently amended its Articles of Incorporation to increase its authorized shares to 90,000,000 Common Shares, par value \$0.001 per share and 10,000,000 Preferred Shares, par value \$0.001 per share.

As of December 31, 2017, the Registrant had 22,991,137 shares of Common Stock issued and outstanding.

On July 9, 2018, the Company issued 625,000 shares of Common Stock under its 2017 Qualified Incentive Plan to various individuals in consideration of their services rendered in support of the Company.

On December 14, 2018, the Company issued 175,000 shares of Common Stock under its 2017 Qualified Incentive Plan to various individuals in consideration of their services rendered in support of the Company.

On or about March 31, 2018, the Company had \$2,100,318 in issued warrants exercised for 1,091,197 shares of Common Stock, this was a cashless exercise.

On or about September 17, 2018, the Company issued 1,933,329 shares of its Common Stock as part of the consideration in acquiring Two JS LLC.

On or about June 1, 2018, the Company sold 937,647 shares of Common Stock to a private investor of the Company.

As of December 31, 2018, the Company had 27,753,310 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:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--------------------------------|--------------------------|--------------------------|
| Furniture & Fixtures | \$ 98,395 | \$ 107,945 |
| Marketing Display | 36,900 | 36,900 |
| Vehicles | 34,900 | 6,000 |
| Office Equipment | 74,361 | 81,240 |
| | <u>\$ 243,655</u> | <u>\$ 232,085</u> |
| Less: Accumulated Depreciation | (149,015) | (82,038) |
| | <u>\$ 94,640</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 twelve-month periods ending December 31, 2018 and 2017 was \$75,446 and \$59,117 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 asset, 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.

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|----------------------------------|--------------------------|--------------------------|
| License Agreement | \$ 5,300 | \$ 5,300 |
| Product License and Registration | 57,300 | 57,300 |
| Trade Secret - IP | <u>32,500</u> | <u>32,500</u> |
| | \$ 95,100 | \$ 95,100 |
| Less: Accumulated Amortization | <u>(13,903)</u> | <u>(7,388)</u> |
| | <u>\$ 81,197</u> | <u>\$ 87,712</u> |

Amortization expense for the twelve-month periods ending December 31, 2018 and 2017 was \$6,515 and \$4,620, 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 noteholder's 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 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 December 31, 2018 is \$0.

8. Related Party Transactions:

As of December 31, 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 December 31, 2018, the Company had net sales from Super Farm LLC totaling \$264,103 and \$88,063 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 December 31, 2018, the Company had accounts receivable balance with Super Farm LLC totaling \$61,110 and \$20,503 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 \$69,714.

As of December 31, 2018, the Company had sales from Future Vision dba Medicine Man Denver totaling \$158,805, and an accounts receivable balance of \$28,893. As of December 31, 2018, the Company had an accounts receivable balance owed from Future Vision totaling \$2,986. As of December 31, 2018, the Company had sales from Med Pharm Iowa totaling \$10,026 and \$34,438 in sales from Med Pharm Holdings. The Company had an accounts receivable balance owed from Med Pharm Iowa totaling \$1,195 and \$10,425 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 December 31, 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 December 31, 2018, the Company had an independent third-party valuation group perform an impairment analysis on our consolidated goodwill balance. It was noted that as of December 31, 2018, no impairment was needed.

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 December 31, 2018, the Company recognized an unrealized loss on investment of \$398,766 and initial revenue of \$3,518,322 due to this transaction.

11. Inventory:

As of December 31, 2018, and December 31, 2017, the Company had \$489,239 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.

12. **Note Payable:**

As of December 31, 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.

13. **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 80239. The lease period started March 1, 2017 and will terminate February 29, 2020, resulting in the following future commitments:

| | | |
|------------------|----|---------|
| 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:

| | | |
|------------------|--|--------|
| 2019 fiscal year | | 77,808 |
| 2020 fiscal year | | 38,904 |

The Company notes that this lease is accelerated and the deferred rent expense at December 31, 2018 is \$21,330. This amount is booked in “Accrued expenses” and is noted above in “Note 1.”

14. **Warrants:**

During the period ended December 31, 2017, the Company issued 2,000,000 common stock purchase warrants to three employees of the Company with an exercise price of \$1.445 per share for a period of time expiring on December 31, 2019. As of December 31, 2018, all of the warrants were exercised. Stock-based compensation expense recognized for warrants during the twelve-month period ended December 31, 2018 was \$2,100,318.

During the period ended December 31, 2018, the Company issued 250,000 common stock purchase warrants to one employee of the Company with an exercise price of \$1.49 per share for a period of time expiring on December 31, 2021. The Company accounts for its warrants issued in accordance with the US GAAP accounting guidance under ASC 480. We 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 \$1.49, the remaining contractual term of the warrant of 3 years, risk-free interest rate of 2.48% 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 period ended December 31, 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 December 31, 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 issued zero common stock purchase warrants.

| | <u>Number of shares</u> | <u>Exercise Price</u> |
|---------------------------------|-------------------------|-----------------------|
| Balance as of December 31, 2017 | 3,500,566 | – |
| Warrants issued | 937,647 | \$ 1.33 |
| Warrants issued | 209,248 | \$ 1.49 |
| Warrants exercised | 2,000,000 | – |
| Balance as of December 31, 2018 | <u>2,647,461</u> | |

15. **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 of 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 December 31, 2017 and December 31, 2016. The Company had a net loss during the year ended December 31, 2017 and the deferred tax asset has a full valuation against it.

The Company is registered in the State of Colorado and is subject to the United States of America tax law. As of December 31, 2018, the Company had incurred income on a tax basis resulting in the Company calculating that it owed \$477,626 to the federal government at December 31, 2018 and \$0 at December 31, 2017. In addition, the Company owed the State of Colorado \$105,305 in 2018 and \$0 at December 31, 2017.

16. **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 twelve months ended December 31, 2018, two customers accounted for 48% of revenue, one with 37% and another with 11%. For the twelve months ended December 31, 2018, three customers accounted for 88% of accounts receivable, one with 11%, one with 38% and another with 39%. The Company is currently pursuing litigation against two of these customers to receive contractual amounts owed. See "Part II, Item 1, Legal Proceedings" for further explanation.

17. **Segment Information:**

The Company has two identifiable segments as of December 31, 2018; licensing/consulting and products. The products segment sells merchandise directly to customers via e-commerce portals, through our proprietary websites and retail location. The licensing/consulting segment sales derives its revenue from licensing/consulting agreements with cannabis related entities. The following information represents segment activity for the twelve-month periods ended December 31, 2018 and 2017.

| | For the twelve months ended | | | | | | | | | |
|--------------------------------------|-----------------------------|---------------|--------------------|-------------------------|--------|------------|-------------------|---------------|--------|-------------|
| | December 31, 2018 | | | | | | December 31, 2017 | | | |
| | Products | License/Cons. | Cultivation Max | Master Licensing Fee | Other | Total | Products | License/Cons. | Other | Total |
| Revenues | 2,031,603 | 2,271,275 | 1,539,317 | 3,518,322 | 82,038 | 9,442,555 | 1,083,208 | 2,356,663 | 89,713 | 3,529,584 |
| Intangible assets amortization | 5,987 | 528 | – | – | – | 6,515 | 4,090 | 530 | – | 4,620 |
| Depreciation | 5,848 | 69,598 | – | – | – | 75,446 | 4,320 | 54,797 | – | 59,117 |
| Income (loss) from operations | 878,067 | (275,576) | 346,424 | – | – | 948,915 | (71,561) | (5,309,611) | – | (5,381,172) |
| Segment assets | 5,361,127 | 12,860,478 | – | – | – | 18,221,605 | 566,681 | 10,820,260 | – | 11,386,941 |
| Purchase of assets | 32,500 | – | – | – | – | 32,500 | 27,594 | – | – | 27,594 |

18. **Future Minimum Lease Payments:**

The adoption of ASU 2016-02 will have a significant impact on our balance sheet as we will record material assets and obligations primarily related to our corporate office and equipment leases. We expect to record operating lease liabilities of approximately \$375,000 based on the present value of the remaining minimum rental payments using discount rates as of the effective date. We expect to record corresponding right-of-use assets of approximately \$350,000, based upon the operating lease liabilities adjusted for prepaid and deferred rent, unamortized initial direct costs, liabilities associated with lease termination costs and impairment of right-of-use assets recognized in retained earnings as of January 1, 2019. We do not expect a material impact on our statement of income or our statement of cash flows.

19. **Earnings per share (Basic and Dilutive):**

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 following is a reconciliation of the numerator and denominator used in the basic and diluted earnings per share (“EPS”) calculations for the twelve months December 31, 2018 and 2017.

Numerator:

| | | | | |
|---|----|----------------|----|--------------------|
| Net income (loss) | \$ | 948,915 | \$ | (5,381,172) |
| Less: Gain in fair value of derivative liabilities, net of interest expense for convertible notes | | – | | (14,459) |
| Adjusted net income (loss) | \$ | <u>948,915</u> | \$ | <u>(5,395,631)</u> |

Denominator:

| | | | | |
|--|--|-------------------|--|-------------------|
| Weighted-average shares of common stock | | 25,121,896 | | 22,991,137 |
| Dilutive effect of warrants | | 2,647,461 | | – |
| Diluted weighted-average of common stock | | <u>27,769,357</u> | | <u>22,991,137</u> |

Net loss per common share from:

| | | | | |
|---------|--|------|--|--------|
| Basic | | 0.04 | | (0.23) |
| Diluted | | 0.03 | | (0.23) |

20. **Subsequent events:**

As of the filing date of this report, there are no material subsequent events.

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

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure Controls and Procedures – Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this Report.

These controls are designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our CFO and CEO to allow timely decisions regarding required disclosure.

Based on this evaluation, our CFO and CEO have concluded that our disclosure controls and procedures were effective as of December 31, 2018, at the reasonable assurance level. We believe that our financial statements presented in this annual report on Form 10-K fairly present, in all material respects, our financial position, results of operations, and cash flows for all periods presented herein.

Inherent Limitations – Our management, including our Chief Financial Officer and Chief Executive Officer, does not expect that our disclosure controls and procedures will prevent all error 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. The design of any system of controls 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. 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 breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

Changes in Internal Control over Financial Reporting – There were no changes in our internal control over financial reporting during our fiscal fourth quarter ended December 31, 2018, which were identified in conjunction with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this Annual Report.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Those rules define internal control over financial reporting as a process designed 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, our management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the 2013 Treadway Commission (COSO).

Based on an assessment carried out April 16, 2019, management believes that, as of December 31, 2018, our internal control over financial reporting was effective.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is incorporated by reference to our proxy statement for our 2019 Annual Meeting of Stockholders

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to our proxy statement for our 2019 Annual Meeting of Stockholders

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

Information required by this item is incorporated by reference to our proxy statement for our 2019 Annual Meeting of Stockholders

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to our proxy statement for our 2019 Annual Meeting of Stockholders

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information required by this item is incorporated by reference to our proxy statement for our 2019 Annual Meeting of Stockholders

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following exhibits are included herewith:

| Exhibit No. | Description |
|--------------------|--|
| 3.1 | Articles of Incorporation of Medicine Man Technologies filed with the Secretary of State of Nevada on March 20, 2014 (Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 filed April 14, 2015) http://www.sec.gov/Archives/edgar/data/1622879/000101968715001435/medman_s1-ex0301.htm |
| 3.2 | Certificate of Amendment to Articles of Incorporation filed with the Secretary of State of Nevada on March 19, 2015 (Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 filed April 14, 2015) http://www.sec.gov/Archives/edgar/data/1622879/000101968715001435/medman_s1-ex0301.htm |
| 3.3 | Certificate of Amendment to Articles of Incorporation filed with the Secretary of State of Nevada on March 19, 2015 (Incorporated by reference to Exhibit 3.3 to Registration Statement on Form S-1 filed April 14, 2015) http://www.sec.gov/Archives/edgar/data/1622879/000101968715001435/medman_s1-ex0303.htm |
| 3.4 | Bylaws of Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 filed April 14, 2015) http://www.sec.gov/Archives/edgar/data/1622879/000101968715001435/medman_s1-ex0302.htm |
| 4.1 | Medicine Man Technologies, Inc. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8 filed June 20, 2018) http://www.sec.gov/Archives/edgar/data/1622879/000168316818001804/medicineman_s8-ex0401.htm |
| 10.1 | Technology License Agreement as of May 1, 2014 between Medicine Man Production Corporation and Medicine Man Technologies Inc. (Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-1 filed April 14, 2015) http://www.sec.gov/Archives/edgar/data/1622879/000101968715001435/medman_s1-ex1001.htm |
| 10.2 | Letter Agreement dated February 5, 2015 between Breakwater Corporate Finance and Medicine Man Technologies (Incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-1 filed April 14, 2015) http://www.sec.gov/Archives/edgar/data/1622879/000101968715001435/medman_s1-ex1002.htm |
| 10.3 | License Agreement dated as of _____, 2015 between Medicine Man Technologies and Cultivation/Grow Process http://www.sec.gov/Archives/edgar/data/1622879/000101968715003428/medicinemand_s1a-ex1003.htm |
| 10.4 | Share Exchange Agreement as of February 27, 2017 among Medicine Man Technologies, Inc., Success Nutrients, Inc. and the shareholders of Success Nutrients, Inc. the Company and Success Nutrients, Inc. (Incorporated by reference to Exhibit 10.4 to our Annual Report on Form 10-K filed April 17, 2017) http://www.sec.gov/Archives/edgar/data/1622879/000168316817000950/medman_ex1004.htm |
| 10.5 | Agreement and Plan of Merger as of February 27, 2017 among Medicine Man Technologies, Inc., Medicine Man Consulting, Inc. and Pono Publications Ltd. (Agreement between the Company and Pono Publications, Inc. (Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K filed April 17, 2017) http://www.sec.gov/Archives/edgar/data/1622879/000168316817000950/medman_ex1005.htm |
| 10.6 | Office Building Lease as of January 31, 2017 by and between Havana Gold LLC and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K filed April 17, 2017) http://www.sec.gov/Archives/edgar/data/1622879/000168316817000950/medman_ex1006.htm |
| 10.7 | Share Exchange Agreement as of July 21, 2017 by and among Medicine Man Technologies, Inc., Denver Consulting Group, LLC and the members of Denver Consulting Group, LLC (Incorporated by reference to Exhibit 10.7 of our current report on Form 8-K filed July 26, 2017) http://www.sec.gov/Archives/edgar/data/1622879/000168316817001861/medman_ex1007.htm |
| 14 | Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14.1 to Annual Report on Form 10-K filed April 14, 2016) http://www.sec.gov/Archives/edgar/data/1622879/000101968716005856/mman_10k-ex1401.htm |
| 23.1 | Consent of BF Borgers CPA PC * |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350* |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. |

SIGNATURES

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

Dated: April 16, 2019

MEDICINE MAN TECHNOLOGIES, INC.

By: /s/ Andy Williams
Andy Williams
Interim Chief Executive Officer
(Principal Executive Officer)

By: /s/ Jonathan Sandberg
Jonathan Sandberg
Chief Financial Officer
(Principal Financial and Accounting Officer)

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.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|----------------|
| <u>/s/ Andrew Williams</u> Andrew Williams | Interim Chief Executive Officer and Director (Principal Executive Officer) | April 16, 2019 |
| <u>/s/ Jonathan Sandberg</u> Jonathan Sandberg | Chief Financial Officer (Principal Financial and Accounting Officer) | April 16, 2019 |
| <u>/s/ Paul Dickman</u> Paul Dickman | Chairman of the Board of Directors and Corporate Secretary | April 16, 2019 |
| <u>/s/ Charles Haupt</u> Charles Haupt | Director | April 16, 2019 |

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-225947 and 333-218662) of Medicine Man Technologies, Inc. of our report dated April 16, 2019, relating to the consolidated financial statements, which appears in this Annual Report on Form 10-K for the year ended December 31, 2018.

/s/ BF Borgers CPA PC

Lakewood, CO
April 16, 2019

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

I, Andrew Williams, certify that:

1. I have reviewed this annual report on Form 10-K 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: April 16, 2019

/s/ Andrew Williams

Andrew Williams, Interim 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 annual report on Form 10-K 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: April 16, 2019

/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 annual report of Medicine Man Technologies, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on April 16, 2019 (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: April 16, 2019

/s/ Andrew Williams

Andrew Williams, Interim Chief Executive Officer

Dated: April 16, 2019

/s/ Jonathan Sandberg

Jonathan Sandberg, Chief Financial Officer
