UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2021

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________.

Commission File Number **000-55450**

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

Nevada	**46-5289499**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
4880 Havana Street **Suite 201** **Denver, Colorado**	**80239**
(Address of principal executive offices)	(Zip Code)

(303) 371-0387
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of August 16, 2021, the Registrant had 45,139,297 shares of Common Stock outstanding.

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, business strategy and plans, and objectives for future operations, are forward-looking statements. 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 words of similar meaning in connection with a discussion of future events or future operating or financial performance, although the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements are based upon our current assumptions, expectations and beliefs concerning future developments and their potential effect on our business. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual events or our actual results, performance or achievements to be materially different from the future events, results, performance or achievements expressed or implied by any forward-looking statements. There can be no assurance that future events, results, performance or achievements will be in accordance with our expectations or that the effect of future events, results, performance or achievements will be those anticipated by us.

Factors and risks that may cause or contribute to actual events, results, performance or achievements differing from these forward-looking statements include, but are not limited to, for example:

- regulatory limitations on our products and services;
- our ability to complete and integrate announced acquisitions;
- general industry and economic conditions;
- our ability to access adequate capital upon terms and conditions that are acceptable to us;
- volatility in credit and market conditions;
- other risks and uncertainties related to the cannabis market and our business strategy.

We operate in very competitive and rapidly changing markets. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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 Quarterly Report on Form 10-Q are reasonable, we cannot assure stockholders and potential investors that these plans, intentions or expectations will be achieved.

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. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

All forward-looking statements speak only as of the date of this this Quarterly Report on Form 10-Q. Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether because of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Current assets		
Cash and cash equivalents	$ 21,130,769	$ 1,231,235
Accounts receivable, net of allowance for doubtful accounts	3,204,941	1,270,380
Accounts receivable – related party	–	80,494
Inventory	9,182,942	2,619,145
Note receivable – current, net	144,223	–
Notes receivable – related party	–	181,911
Prepaid expenses	1,865,138	614,200
Total current assets	35,528,013	5,997,365
Non-current assets		
Fixed assets, net accumulated depreciation of $1,291,349 and $872,579, respectively	3,476,546	2,584,798
Goodwill	41,505,944	53,046,729
Intangible assets, net accumulated amortization of $4,553,827 and $200,456, respectively	94,861,253	3,082,044
Marketable securities, net of unrealized gain (loss) of $221,257 and $(129,992), respectively	498,039	276,782
Note receivable – noncurrent, net	71,667	–
Accounts receivable – litigation	3,063,968	3,063,968
Other noncurrent assets	419,472	51,879
Operating lease right of use assets	3,934,370	2,579,036
Total non-current assets	147,831,259	64,685,236
Total assets	$ 183,359,272	$ 70,682,601
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 2,335,217	$ 3,508,478
Accounts payable – related party	40,323	48,982
Accrued expenses	10,279,124	2,705,445
Derivative liabilities	436,554	1,047,481
Deferred revenue	–	50,000
Notes payable – related party	–	5,000,000
Total current liabilities	13,091,218	12,360,386
Long-term liabilities		
Long term debt	54,250,000	13,901,759
Lease liabilities	4,078,375	2,645,597
Total long-term liabilities	58,328,375	16,547,356
Total liabilities	71,419,593	28,907,742
Shareholders' equity		
Common stock $0.001 par value. 250,000,000 authorized, 42,925,303 shares issued and 42,408,259 outstanding as of June 30, 2021 and 42,601,773 shares issued and 42,169,041 outstanding as of December 31, 2020, respectively.	42,925	42,602
Preferred stock $0.001 par value. 10,000,000 authorized. 87,266 shares issued and outstanding as of June 30, 2021 and 19,716 shares issued and outstanding as of December 31, 2020, respectively.	87	20
Additional paid-in capital	158,787,183	85,357,835
Accumulated deficit	(45,373,480)	(42,293,098)
Common stock held in treasury, at cost, 517,044 shares held as of June 30, 2021 and 432,732 shares held as of December 31, 2020.	(1,517,036)	(1,332,500)
Total shareholders' equity	111,939,679	41,774,859
Total liabilities and stockholders' equity	$ 183,359,272	$ 70,682,601

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED STATEMENT OF COMPREHENSIVE (LOSS) AND INCOME
For the Three and Six Months Ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating revenues				
Retail	$ 21,525,816	$ 732,457	$ 33,342,016	$ 732,457
Wholesale	9,186,181	4,106,197	16,632,445	6,635,128
Other	16,844	585,675	94,494	1,259,878
Total revenue	30,728,841	5,424,329	50,068,955	8,627,463
Cost of goods and services				
Cost of goods and services	15,826,341	3,106,686	27,913,451	5,255,221
Total cost of goods and services	15,826,341	3,106,686	27,913,451	5,255,221
Gross profit	14,902,500	2,317,643	22,155,504	3,372,242
Operating Expenses				
Selling, general and administrative expenses	4,797,495	1,088,479	7,987,134	1,755,398
Professional services	1,519,016	2,371,743	3,714,124	3,620,731
Salaries	2,992,055	2,098,291	4,861,413	4,095,327
Stock based compensation	1,153,018	3,109,091	2,636,824	4,361,822
Total operating expenses	10,461,584	8,667,604	19,199,494	13,833,278
Income (loss) from operations	4,440,916	(6,349,961)	2,956,010	(10,461,036)
Other income (expense)				
Interest income (expense), net	(1,713,770)	(11,447)	(2,675,053)	36,595
Gain on forfeiture of contingent consideration	–	–	–	1,462,636
Unrealized gain (loss) on derivative liabilities	1,864,741	(348,535)	610,927	843,428
Other income (expense)	–	32,621	–	32,621
Gain (loss) on sale of assets	–	–	292,479	–
Unrealized gain (loss) on investments	6,627	81,615	221,257	110,739
Total other income (expense)	157,598	(245,746)	(1,550,390)	2,486,019
Provision for income tax (benefit) expense	228,474	–	685,088	–
Net income (loss)	$ 4,370,040	$ (6,595,707)	$ 720,532	$ (7,975,017)
Earnings (loss) per share attributable to common shareholders:				
Basic earnings (loss) per share	$ 0.10	$ (0.16)	$ 0.02	$ (0.20)
Diluted earnings (loss) per share	$ 0.08	$ (0.16)	$ 0.01	$ (0.20)
Weighted average number of shares outstanding - basic	42,332,144	41,568,147	42,286,168	40,742,462
Weighted average number of shares outstanding - diluted	53,975,521	41,568,147	53,886,727	40,742,462
Comprehensive income (loss)	$ 4,370,040	$ (6,595,707)	$ 720,532	$ (7,975,017)

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
For the Six months Ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Treasury Stock		Total Stock-holders'
	Shares	Value	Shares	Value	Capital	Deficit	Shares	Cost	Equity
Balance at, December 31, 2019	–	$ –	39,952,628	$ 39,953	$ 50,356,469	$ (22,816,477)	257,732	$ (1,000,000)	$ 26,579,945
Net income (loss)	–	–	–	–	–	(7,975,017)	–	–	(7,975,017)
Issuance of common stock as payment for Mesa	–	–	2,554,750	2,555	4,167,253	–	–	–	4,169,808
Return of common stock as compensation to employees, officers and/or directors	–	–	(500,000)	(500)	–	–	–	–	(500)
Issuance of common stock in connection with sales made under private or public offerings	–	–	187,500	187	374,813	–	–	–	375,000
Stock based compensation expense related to common stock options	–	–	–	–	4,361,822	–	–	–	4,361,822
Balance, June 30, 2020	–	$ –	42,194,878	$ 42,195	$ 59,260,357	$ (30,791,494)	257,732	$ (1,000,000)	$ 27,511,058

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Treasury Stock		Total Stock-holders'
	Shares	Value	Shares	Value	Capital	Deficit	Shares	Cost	Equity
Balance at, December 31, 2020	19,716	$ 20	42,601,773	$ 42,602	$ 85,357,835	$ (42,293,098)	432,732	$ (1,332,500)	$ 41,774,859
Net income (loss)	–	–	–	–	–	720,532	–	–	720,532
Issuance of stock as payment for acquisitions	20,240	20	–	–	20,239,980	–	–	–	20,240,000
Issuance of common stock as compensation to employees, officers, and/or directors	–	–	323,530	323	680,538	–	–	–	680,861
Issuance of stock in connection with sales made under private or public offerings	47,310	47	–	–	50,449,159	–	–	–	50,449,206
Dividends declared	–	–	–	–	–	(3,800,914)	–	–	(3,800,914)
Return of common stock	–	–	–	–	–	–	84,312	(184,536)	(184,536)
Stock based compensation expense related to common stock options	–	–	–	–	2,059,671	–	–	–	2,059,671
Balance, June 30, 2021	87,266	$ 87	42,925,303	$ 42,925	$ 158,787,183	$ (45,373,480)	517,044	$ (1,517,036)	$ 111,939,679

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
For the Three months Ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Treasury Stock		Total Stock-holders'
	Shares	Value	Shares	Value	Capital	Deficit	Shares	Cost	Equity
Balance at, March 31, 2020	–	$ –	39,952,628	$ 39,953	$ 51,609,200	$ (24,195,787)	257,732	$ (1,000,000)	$ 26,453,366
Net income (loss)	–	–	–	–	–	(6,595,707)	–	–	(6,595,707)
Issuance of common stock as payment for Mesa	–	–	2,554,750	2,555	4,167,253	–	–	–	4,169,808
Return of common stock as compensation to employees, officers and/or directors	–	–	(500,000)	(500)	–	–	–	–	(500)
Issuance of common stock in connection with sales made under private or public offerings	–	–	187,500	187	374,813	–	–	–	375,000
Stock based compensation expense related to common stock options	–	–	–	–	3,109,091	–	–	–	3,109,091
Balance, June 30, 2020	–	$ –	42,194,878	$ 42,195	$ 59,260,357	$ (30,791,494)	257,732	$ (1,000,000)	$ 27,511,058

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Treasury Stock		Total Stock-holders'
	Shares	Value	Shares	Value	Capital	Deficit	Shares	Cost	Equity
Balance, March 31, 2021	87,266	$ 87	42,819,815	$ 42,820	$ 157,530,563	$ (46,823,076)	488,220	$ (1,445,696)	$ 109,304,698
Net income (loss)	–	–	–	–	–	4,370,040	–	–	4,370,040
Issuance of stock as payment for acquisitions	–	–	–	–	–	–	–	–	–
Issuance of common stock as compensation to employees, officers, and/or directors	–	–	105,488	105	235,950	–	–	–	236,056
Issuance of stock in connection with sales made under private or public offerings	–	–	–	–	–	–	–	–	–
Dividends declared	–	–	–	–	–	(2,920,446)	–	–	(2,920,446)
Return of common stock	–	–	–	–	–	–	28,824	(71,340)	(71,340)
Stock based compensation expense related to common stock options	–	–	–	–	1,020,671	–	–	–	1,020,671
Balance, June 30, 2021	87,266	$ 87	42,925,303	$ 42,925	$ 158,787,183	$ (45,373,480)	517,044	$ (1,517,036)	$ 111,939,679

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the Six months Ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	For the Six Months Ended June 30, 2021	2020
Cash flows from operating activities		
Net income (loss) for the period	$ 720,532	$ (7,975,017)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,807,147	94,269
Gain on forfeiture of contingent consideration	–	–
(Gain) loss on change in derivative liabilities	(610,927)	(2,306,064)
(Gain) loss on investment, net	(221,257)	(110,739)
(Gain) loss on sale of asset	(292,479)	–
Stock based compensation	2,636,824	4,361,822
Changes in operating assets and liabilities		
Accounts receivable	(1,854,067)	780,772
Inventory	(3,368,807)	445,345
Prepaid expenses and other current assets	(1,250,938)	107,417
Other assets	(367,593)	(41,879)
Operating lease right of use assets and liabilities	77,444	16,773
Accounts payable and other liabilities	1,169,537	575,153
Deferred Revenue	(50,000)	–
Income taxes payables	–	(1,940)
Net cash provided by (used in) operating activities	1,395,416	(4,054,088)
Cash flows from investing activities		
Purchase of fixed assets - net	(1,203,180)	(593,785)
Cash consideration for acquisition of business	(66,082,072)	(2,609,500)
Collection (issuance) of notes receivable	181,911	(50,390)
Purchase of intangible assets	(29,580)	–
Net cash (used in) investing activities	(67,132,921)	(3,253,675)
Cash flows from financing activities		
Proceeds from issuance of debt, net	40,348,241	374,500
Repayment of notes payable	(5,000,000)	–
Proceeds from issuance of stock, net of issuance costs	50,282,798	–
Net cash provided by financing activities	85,631,039	374,500
Net (decrease) increase in cash and cash equivalents	19,893,534	(6,933,263)
Cash and cash equivalents at beginning of period	1,237,235	12,351,580
Cash and cash equivalents at end of period	$ 21,130,769	$ 5,418,317
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,131,495	$ –

See accompanying notes to the financial statements

Organization and Nature of Operations

Medicine Man Technologies, Inc. (“we,” “us,” “our” or the “Company”) was incorporated in Nevada on March 20, 2014. On May 1, 2014, we entered into a non-exclusive Technology License Agreement with Futurevision, Inc., f/k/a Medicine Man Production Corp., dba Medicine Man Denver (“Medicine Man Denver”) pursuant to which Medicine Man Denver granted us a license to use all of the proprietary processes that they had developed, implemented and practiced at their cannabis facilities relating to the commercial growth, cultivation, marketing and distribution of medical 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”) for 10 years.

In 2017, the Company acquired additional cultivation intellectual property through the acquisition of Success Nutrients™ and Pono Publications, including the rights to the book titled “Three A Light” and its associated cultivation techniques, which have been part of the Company’s products and services offerings since the acquisition. The Company acquired Two J’s LLC d/b/a The Big Tomato (“The Big Tomato”) in 2018, which operates a retail location in Aurora, Colorado. It has been a leading supplier of hydroponics and indoor gardening supplies in the metro Denver area since May 2001. The Company was focused on cannabis dispensary and cultivation consulting and providing equipment and nutrients to cannabis cultivators until its first plant touching acquisition in April of 2020. In 2019, due to the changes in Colorado law permitting non-Colorado resident and publicly traded investment into “plant-touching” cannabis companies, the Company made a strategic decision to move toward direct plant-touching operations. The Company developed a plan to roll up a number of direct plant-touching dispensaries, manufacturing facilities, and cannabis cultivations with a target to be one of the largest seed to sale cannabis businesses in Colorado. In April 2020, the Company acquired its first plant-touching business, Mesa Organics Ltd. (“Mesa Organics”), which consists of four dispensaries and one manufacturing infused products facility (“MIP”), d/b/a Purplebee’s.

On April 20, 2020, the Company rebranded and conducts its business under the trade name, Schwazze. The corporate name of the Company continues to be Medicine Man Technologies, Inc. Effective April 21, 2020, the Company commenced trading under the OTC ticker symbol SHWZ.

On December 17, 2020, the Company acquired the assets of (i) Starbuds Pueblo LLC; and (ii) Starbuds Alameda LLC under the applicable Asset Purchase Agreements (“APAs”). On December 18, 2020, the Company acquired the assets of (i) Starbuds Commerce City LLC; (ii) Lucky Ticket LLC; (iii) Starbuds Niwot LLC; and (iv) LM MJC LLC under the applicable APAs.

On February 4, 2021, the Company acquired the assets of Colorado Health Consultants LLC and Mountain View 44th LLC under the applicable APAs.

On March 2, 2021, the Company acquired the assets of (i) Starbuds Aurora LLC, (ii) SB Arapahoe LLC; (iii) Citi-Med LLC; (iv) Starbuds Louisville LLC; and (v) KEW LLC under the applicable APAs.

From December 2020 through March 2021 the Company completed a private placement of Series A Cumulative Convertible Preferred Stock (“Series A Preferred Stock”) for aggregate gross proceeds of $57.7 million dollars. In the private placement, the Company issued and sold an aggregate of 57,700 shares of Series A Preferred Stock at a price of $1,000 per share under securities purchase agreement with Dye Capital Cann Holdings II, LLC (“Dye Cann II”) and CRW Cann Holdings, LLC (“CRW”) as well as subscription agreements with unaffiliated investors. Among other terms, each share of Series A Preferred Stock (i) earns an annual dividend of 8% on the “preference amount,” which initially is equal to the $1,000 per-share purchase price and subject to increase, by having such dividends automatically accrete to, and increase, the outstanding preference amount; (ii) is entitled to a liquidation preference under certain circumstances, (iii) is convertible into shares of the Company’s common stock by dividing the preference amount by $1.20 per share under certain circumstances, and (iv) is subject to a redemption right or obligation under certain circumstances.

In addition, on December 16, 2020, the Company issued and sold a Convertible Promissory Note and Security Agreement in the original principal amount of $5,000,000 to Dye Capital & Company, LLC (“Dye Capital”). On February 26, 2021, Dye Capital converted all outstanding amounts under the note into 5,060 shares of Series A Preferred Stock.

The Company is focused on growing through internal growth, acquisition, and new licenses in the Colorado cannabis market. The Company is focused on building the premier vertically integrated cannabis company in Colorado. The company's leadership team has deep expertise in mainstream consumer packaged goods, retail, and product development at Fortune 500 companies as well as in the cannabis sector. The Company has a high-performance culture and a focus on analytical decision making, supported by data. Customer-centric thinking inspires the Company’s strategy and provides the foundation for the Company’s operational playbooks.

The Company’s operations are organized into three different segments as follows: (i) retail, consisting of retail locations for sale of cannabis products, (ii) wholesale, consisting of manufacturing and sale of wholesale cannabis products, nutrients for cannabis, and hydroponics and indoor gardening supplies, and (iii) other, consisting of all other income and expenses, including those related to licensing and consulting services, facility design services, facility management services, and corporate operations.

1. **Liquidity and Capital Resources**

During the quarters ended June 30, 2021 and 2020, the Company primarily used revenues from its operations 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 $21,130,769 and $1,231,235 classified as cash and cash equivalents as of June 30, 2021, and December 31, 2020, respectively.

The Company maintains its cash balances with a high-credit-quality financial institution. At times, such cash may be more than the insured limit of $250,000. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to any significant credit risk on its cash and cash equivalents.

2. **Critical Accounting Policies and Estimates**

Management’s Representation of Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These unaudited consolidated financial statements include all of the adjustments, which in the opinion of management are necessary to a fair presentation of the Company’s financial position and results of operations. All such adjustments are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2020 and 2019, as presented in the Company’s Annual Report on Form 10-K filed on March 31, 2021 with the SEC.

Basis of Presentation

These accompanying financial statements have been prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of the SEC for interim financial statements. All intercompany accounts and transactions are eliminated in consolidation.

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.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings and financial position.

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, notes receivable, accounts payable 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 June 30, 2021 and December 31, 2020, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	June 30, 2021	**December 31, 2020**
Level 1 – Marketable Securities Available-for-Sale – Recurring	498,039	276,782

Marketable Securities at Fair Value on a Recurring Basis

Certain assets are measured at fair value on a recurring basis. The Level 1 position consists of an investment in equity securities held in Canada House Wellness Group, Inc., a publicly-traded company whose securities are actively quoted on the Toronto Stock Exchange.

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.

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business. These accounts receivable relates to the Company's wholesale and other revenue segments. Accounts receivable are recorded when a milestone is reached at a point in time resulting in funds being due for delivered goods or services, and where payment is reasonably assured. Wholesale revenues are generally collected within 14 to 30 days after invoice is sent. Consulting revenues are generally collected from 30 to 60 days after the invoice is sent.

The following table depicts the composition of our accounts receivable as of June 30, 2021, and December 31, 2020:

	June 30, 2021	December 31, 2020
Accounts receivable – trade	$ 3,377,879	$ 1,315,188
Accounts receivable – related party	–	80,494
Accounts receivable – litigation, non-current	3,063,968	3,063,968
Allowance for doubtful accounts	(172,938)	(44,808)
Total accounts receivable	$ 6,268,909	$ 4,414,842

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectability of trade receivables. A considerable amount of judgment is required in assessing the amount of the allowance. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a specific allowance will be required.

Notes Receivable

On July 17, 2018, 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.. The Company agreed to provide a lending facility to AMC in CAD$125,000 increments of up to CAD$500,000. The lending facility is for a term of 60 months and bears interest at a rate of 2%. On April 30, 2019, the terms of the loan were amended to reduce the term from 60 months to 36 months. As of June 30, 2021 and December 31, 2020, the outstanding balance, including accrued interest, on the notes receivable with AMC totaled $246,765 and $246,765, respectively. As of June 30, 2021 and December 31, 2020, the Company has recorded a full allowance on the note receivable balance.

On March 12, 2021, the Company sold equipment to Colorado Cannabis. The terms of sale included a zero interest note receivable, payable $11,944 on the first of each month for 24 months. As of June 30, 2021, the outstanding balance, including penalties for late payments, on the notes receivable with Colorado Cannabis totaled $215,890.

Other Assets (Current and Non-Current)

Other assets as of June 30, 2021 and December 31, 2020 were $2,284,610 and $666,079, respectively. As of June 30, 2021, this balance included $1,865,138 in prepaid expenses and $419,472 in security deposits. As of December 31, 2020, other assets included $345,777 in prepaid expenses, $268,423 in tax receivable, and $51,879 in security deposits. Prepaid expenses were primarily comprised of insurance premiums, membership dues, conferences and seminars, and other general and administrative costs.

Goodwill and Intangible Assets

Goodwill represents the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. The goodwill arising from the Company's acquisitions is attributable to the value of the potential expanded market opportunity with new customers. Intangible assets have either an identifiable or indefinite useful life. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their economic or legal life, whichever is shorter. The Company's amortizable intangible assets consist of licensing agreements, product licenses and registrations, and intellectual property or trade secrets. Their estimated useful lives range from 10 to 15 years.

Goodwill and indefinite-lived assets are not amortized but are subject to annual impairment testing unless circumstances dictate more frequent assessments. The Company performs an annual impairment assessment for goodwill during the fourth quarter of each year and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than the carrying amount. Goodwill impairment testing is a two-step process performed at the reporting unit level. Step one compares the fair value of the reporting unit to its carrying amount. The fair value of the reporting unit is determined by considering both the income approach and market approaches. The fair values calculated under the income approach and market approaches are weighted based on circumstances surrounding the reporting unit. Under the income approach, the Company determines fair value based on estimated future cash flows of the reporting unit, which are discounted to the present value using discount factors that consider the timing and risk of cash flows. For the discount rate, the Company relies on the capital asset pricing model approach, which includes an assessment of the risk-free interest rate, the rate of return from publicly traded stocks, the Company's risk relative to the overall market, the Company's size and industry and other Company-specific risks. Other significant assumptions used in the income approach include the terminal value, growth rates, future capital expenditures and changes in future working capital requirements. The market approaches use key multiples from guideline businesses that are comparable and are traded on a public market. If the fair value of the reporting unit is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount exceeds its fair value, then the second step must be completed to measure the amount of impairment, if any. Step two calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit as calculated in step one. In this step, the fair value of the reporting unit is allocated to all of the reporting unit's assets and liabilities in a hypothetical purchase price allocation as if the reporting unit had been acquired on that date. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to the excess.

Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates, strategic plans, and future market conditions, among others. There can be no assurance that the Company's estimates and assumptions made for purposes of the goodwill impairment testing will prove to be accurate predictions of the future. Changes in assumptions and estimates could cause the Company to perform an impairment test prior to scheduled annual impairment tests.

The Company performed its annual fair value assessment as of December 31, 2020, on its subsidiaries with material goodwill and intangible asset amounts on their respective balance sheets and determined that no impairment exists. No additional factors or circumstances existed as of June 30, 2021 that would indicate impairment.

Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets whenever events or changes in circumstances have indicated that an asset may not be recoverable. The long-lived asset is grouped with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows is less than the carrying value of the assets, the assets are written down to the estimated fair value.

The Company evaluated the recoverability of its long-lived assets on December 31, 2020 on its subsidiaries with material amounts on their respective balance sheets and determined that no impairment exists.

Accounts Payable

Accounts payable as of June 30, 2021 and December 31, 2020 were $2,375,540 and $3,557,461, respectively and were comprised of trade payables for various purchases and services rendered during the ordinary course of business.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities as of June 30, 2021 and December 31, 2020 were $10,279,124 and $2,705,445, respectively. As of June 30, 2021, this was comprised of customer deposits of $17,169, accrued payroll of $741,299, operating expenses of $5,719,742, and accrued dividends on preferred stock of $3,800,914. As of December 31, 2020, accrued expenses and other liabilities was comprised of customer deposits of $26,826, accrued payroll of $1,154,887, and operating expenses of $1,523,732.

Revenue Recognition and Related Allowances

The Company's 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 is the criteria are met. When consideration is received in advance of the delivery of goods or services, a contract liability is recorded. Revenue contracts are identified when accepted from customers and represent a single performance obligation to sell the Company's products to a customer.

The Company has three main revenue streams: retail; wholesale; and other.

Retail and wholesale 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, the Company considers several indicators, including significant risks and rewards of products, its 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.

Other revenue consists of other income and expenses, including related to, licensing and consulting services, facility design services, facility management services, the Company's Three A Light™ publication, and corporate operations. Revenue is recognized when the obligations to the client are fulfilled which is determined when milestones in the contract are achieved and target harvest yields are exceeded or earned upon the completion of the seminar. The Company also recognizes expense reimbursement from clients as revenue for expenses incurred during certain jobs.

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 the Company's products and services.

General and Administrative Expenses

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

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and totaled $196,908 and $308,593 for the three and six months ended June 30, 2021, respectively, as compared to $336,529 and $465,796, respectively, for the three and six months ended June 30, 2020.

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 options 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 Emerging Issues Task Force ("EITF") 96-18 when stock or options are awarded for previous or current service without further recourse.

Share-based expense paid through direct stock grants is expensed as occurred. Since the Company's common stock is publicly traded, the value is determined based on the number of shares of common stock issued and the trading value of the common stock on the date of the transaction.

On June 20, 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-07 which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Previously, share-based payment arrangements to nonemployees were accounted for under ASC 718, while nonemployee share-based payments issued for goods and services were accounted for under ASC 505-50. Before the amendment, the major difference for the Company (but not limited to) was the determination of measurement date, which generally is the date on which the measurement of equity classified share-based payments becomes fixed. Equity classified share-based payments for employees was fixed at the time of grant. Equity-classified nonemployee share-based payment awards are no longer measured at the earlier of the date which a commitment for performance by the counterparty is reached or the date at which the counterparty's performance is complete. They are now measured at the grant date of the award, which is the same as share-based payments for employees. The Company adopted the requirements of the new rule as of January 1, 2019, the effective date of the new guidance.

The Company recognized $1,153,018 and $2,636,824 in expense for stock-based compensation from common stock options and common stock issued to employees, officers, and directors during the three and six months ended June 30, 2021, respectively, and $3,109,091 and $4,361,822 in expenses for stock-based compensation from the issuance of common stock to employees, officers, directors and/or contractors during the three and six months ended June 30, 2020, respectively.

Income Taxes

ASC 740, Income Taxes requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC 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 are regularly assessed to determine the likelihood they will be recovered from future taxable income. A valuation allowance is established when we believe it is more likely than not the future realization of all or some of a deferred tax asset will not be achieved. In evaluating our ability to recover deferred tax assets within the jurisdiction which they arise, we consider all available positive and negative evidence. Factors reviewed include the cumulative pre-tax book income for the past three years, scheduled reversals of deferred tax liabilities, our history of earnings and reliability of our forecasts, projections of pre-tax book income over the foreseeable future, and the impact of any feasible and prudent tax planning strategies.

The Company assesses all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position's sustainability, and the tax benefit to be recognized is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. We recognize the impact of a tax position in our financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Tax authorities regularly examine our returns in the jurisdictions in which we do business and we regularly assess the tax risk of our return filing positions. Due to the complexity of some of the uncertainties, the ultimate resolution may result in payments that are materially different from our current estimate of the tax liability. These differences, as well as any interest and penalties, will be reflected in the provision for income taxes in the period in which they are determined.

As the Company operates in the cannabis industry, it is subject to the limits of the Internal Revenue Code (IRC) Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Right of Use Assets and Lease Liabilities

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize almost all leases on the balance sheet as a Right-of-Use ("ROU") asset and a lease liability and requires leases to be classified as either an operating or a finance type lease. The standard excludes leases of intangible assets or inventory. The standard became effective for the Company beginning January 1, 2019. The Company adopted ASC 842 using the modified retrospective approach, by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts have not been adjusted and continue to be reported in accordance with our historical accounting under ASC 840. The Company elected the package of practical expedients permitted under the standard, which also allowed the Company to carry forward historical lease classifications. The Company also elected the practical expedient related to treating lease and non-lease components as a single lease component for all equipment leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the ROU assets and lease liabilities.

Under ASC 842, the Company determines if an arrangement is a lease at inception. ROU assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the Company's leases do not provide an implicit rate, the Company estimated the incremental borrowing rate in determining the present value of lease payments. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options.

Operating leases are included in operating lease ROU assets and operating lease liabilities, current and non-current, on the Company's consolidated balance sheets.

3. Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new pronouncements that have been issued that might have a material impact on its financial position or results of operations except as noted below:

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business (Topic 805)*, which 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 did not have a significant impact on the Company's consolidated results of operations, cash flows and financial position.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which enhances and simplifies various aspects of the income tax accounting guidance, including requirements such as tax basis step-up in goodwill obtained in a transaction that is not a business combination, ownership changes in investments, and interim-period accounting for enacted changes in tax law. The amendment became effective for public companies with fiscal years beginning after December 15, 2020. The Company is evaluating the impact of this amendment on its consolidated financial statements.

In February 2020, the FASB issued ASU 2020-02, *Financial Instruments-Credit Losses (Topic 326) and Leases (Topic 842) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*, which amends the effective date of the original pronouncement for smaller reporting companies. ASU 2016-13 and its amendments will be effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company believes the adoption will modify the way the Company analyzes financial instruments, but it does not anticipate a material impact on results of operations. The Company is in the process of determining the effects adoption will have on its consolidated financial statements.

4. **Property and Equipment**

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

	June 30, 2021	December 31, 2020
Furniture and fixtures	$ 294,204	$ 228,451
Leasehold improvements	656,314	90,314
Machinery and tools	1,502,417	1,456,752
Office equipment	238,837	104,059
Software	1,308,387	1,308,387
Work in process	767,736	269,414
	$ 4,767,895	$ 3,457,377
Less: Accumulated depreciation	(1,291,349)	(872,579)
Total property and equipment, net of depreciation	$ 3,476,546	$ 2,584,798

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

Furniture and fixtures	3 years
Leasehold improvements	Lesser of the lease term or estimated useful life
Machinery and tools	3 years
Office equipment	3 years
Software	3-5 years

Depreciation expense for the three and six months ended June 30, 2021 was $260,843 and $455,480, respectively.

5. **Intangible Asset**

Intangible assets as of June 30, 2021 and December 31, 2020 were comprised of the following:

	June 30, 2021	December 31, 2020
License agreements	$ 88,775,280	$ 1,667,000
Tradenames	4,270,000	350,000
Customer relationships	5,150,000	1,055,000
Non-compete	1,130,000	120,000
Product license and registration	57,300	57,300
Trade secret – intellectual property	32,500	32,500
	99,415,080	3,282,500
Less: accumulated amortization	(4,553,827)	(200,456)
Total intangible assets, net of amortization	$ 94,861,253	$ 3,082,044

Amortization expense for the three and six months ended June 30, 2021 was $2,755,736 and $4,351,667, respectively.

6. **Derivative Liability**

In 2019, the Company entered into certain employment agreements with key officers that contained contingent consideration provisions based upon the achievement of certain market condition milestones. The Company determined that each of these vesting conditions represented derivative instruments.

On January 8, 2019, the Company granted the right to receive 500,000 shares of restricted common stock to an officer and director, which will vest at such time that the Company's stock price appreciates to $8.00 per share with defined minimum average daily trading volume thresholds.

On April 23, 2019, the Company granted the right to receive 1,000,000 shares of restricted common stock to an officer and director, which will vest at such time that the Company's stock price appreciates to $8.00 per share with defined minimum average daily trading volume thresholds. On February 25, 2020, the director resigned from his remaining positions with the Company and forfeited his right to the contingent consideration. As a result, the Company recorded a gain of $1,462,636 as a component of other income (expense), net on its financial statements.

On June 11, 2019, the Company granted the right to receive 1,000,000 shares of restricted common stock to an officer, which will vest at such time that the Company's stock price appreciates to $8.00 per share with defined minimum average daily trading volume thresholds. On May 3, 2021, the Company executed an agreement whereby the officer relinquished the 1,000,000 shares of restricted common stock.

The Company accounts for derivative instruments in accordance with the US GAAP accounting guidance under ASC 815, *Derivatives and Hedging Activities*. The Company estimated the fair value of these derivatives at the respective balance sheet dates using the Black-Scholes option pricing model based upon the following inputs: (i) stock price on the date of grant ranging between $1.32 - $3.75, (ii) a risk-free interest rate ranging between 1.45% - 2.57% and (iii) an expected volatility of the price of the underlying common stock ranging between 145% - 158%.

As of June 30, 2021, the fair value of these derivative liabilities is $436,554. The change in the fair value of derivative liabilities for the three months ended June 30, 2021 was $1,864,741, resulting in an aggregate unrealized gain on derivative liabilities. The change in the fair value of the derivative liabilities for the six months ended June 30, 2021 was $610,927, resulting in an aggregated unrealized gain on derivative liabilities.

7. Related Party Transactions

Transactions Involving Former Directors, Executive Officers or Their Affiliated Entities

During the year ended December 31, 2020, the Company recorded sales to Medicine Man Denver, totaling $997,262. The Company had an accounts receivable balance with Medicine Man Denver totaling $72,109 as of December 31, 2020. The Company's former Chief Executive Officer, Andy Williams, maintains an ownership interest in Medicine Man Denver. Effective February 25, 2020 he was no longer an officer of the Company and therefore no longer a related party. As such, he is not included as a related party with respect to sales and accounts receivable from Medicine Man Denver during the period ended June 30, 2021.

During the year ended December 31, 2020, the Company recorded sales to MedPharm Holdings LLC ("MedPharm") totaling $73,557. The Company had a net accounts receivable balance with MedPharm totaling $5,885 as of December 31, 2020. The Company's former Chief Executive Officer, Andy Williams, maintains an ownership interest in MedPharm. Effective February 25, 2020 he was no longer an officer of the Company and therefore no longer a related party. As such, he is not included as a related party with respect to sales and accounts receivable from MedPharm during the period ended June 30, 2021.

Also, during the year ended December 31, 2019, the Company issued various notes receivable to MedPharm totaling $767,695 with original maturity dates ranging from September 21, 2019 through January 19, 2020 and all bearing interest at 8% per annum. The maturity date of all notes were extended to May 2020 by mutual agreement between the Company and the noteholder. On August 1, 2020, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with MedPharm. Pursuant to the terms of the Settlement Agreement, the Company and MedPharm agreed that the amount of the settlement to be furnished to the Company by MedPharm was $767,695 in principal and $47,161 in accrued interest. The Company received a $100,000 cash payment from MedPharm on August 1, 2020. On September 4, 2020, Andrew Williams, a member of the MedPharm Board of Directors and the Company's former Chief Executive Officer, returned 175,000 shares of the Company's common stock to the Company, as equity consideration at a price of $1.90 per share, a mutually agreed upon price per share. These shares are held in treasury. The remaining outstanding principal and interest of $181,911 due and payable by MedPharm under the Settlement Agreement was to be paid out in bi-weekly installments of product by scheduled deliveries through June 30, 2021. This amount was paid off on April 19, 2021.

During the year ended December 31, 2020, the Company recorded sales to Baseball 18, LLC ("Baseball") totaling $14,605, to Farm Boy, LLC ("Farm Boy") totaling $16,125, to Emerald Fields LLC ("Emerald Fields") totaling $16,605, and to Los Sueños Farms ("Los Sueños") totaling $52,244. As of December 31, 2020 the Company had net accounts payable balances with Baseball of $31,250, and with Farm Boy of $93,944. One of the Company's former directors, Robert DeGabrielle, owns the Colorado retail marijuana cultivation licenses for Farm Boy, Baseball, Emerald Fields, and Los Sueños. Effective June 19, 2020 he was no longer an officer of the Company and therefore no longer a related party. As such, he is not included as a related party with respect to sales and accounts receivable from Baseball, Farm Boy, Emerald Fields, or Los Sueños during the period ended June 30, 2021.

Transactions with Entities Affiliated with Justin Dye

The Company has participated in several transaction involving Dye Capital, Dye Capital Cann Holdings, LLC ("Dye Cann I") and Dye Cann II. Justin Dye, the Company's Chief Executive Officer, one of its directors, and the largest beneficial owner of the Company's common stock and Series A Preferred Stock, controls Dye Capital and Dye Capital controls Dye Cann I and Dye Cann II. Dye Cann I is the largest holder of the Company's outstanding common stock. Dye Cann II is a significant holder of the Series A Preferred Stock. Mr. Dye has sole voting and dispositive power over the securities held by Dye Capital, Dye Cann I, and Dye Cann II.

The Company entered into a Securities Purchase Agreement with Dye Cann I on June 5, 2019, (as amended, the "Dye Cann I SPA") pursuant to which the Company agreed to sell to Dye Cann I up to between 8,187,500 and 10,687,500 shares of the Company's common stock in several tranches at $2.00 per share and warrants to purchase 100% of the number of shares of common stock sold at a purchase price of $3.50 per share. At the initial closing on June 5, 2019, the Company sold to Dye Cann I 1,500,000 shares of common stock and warrants to purchase 1,500,000 shares of common stock for gross proceeds of $3,000,000, and the Company has consummated subsequent closings for an aggregate of 9,287,500 shares of common stock and warrants to purchase 9,287,500 shares of common stock for aggregate gross proceeds of $18,575,000 to the Company. The terms of the Dye Cann I SPA are disclosed in the Company's Current Report on Form 8-K filed on June 6, 2019. The Company and Dye Cann I entered into a first amendment to the Dye Cann I SPA on July 15, 2019, as described in the Company's Current Report on Form 8-K filed on July 17, 2019, a second amendment to the Dye Cann I SPA on May 20, 2020, as described in the Company's Current Report on Form 8-K filed on May 22, 2020, and a Consent, Waiver and Amendment on December 16, 2020, as described in the Company's Current Report on Form 8-K filed on December 23, 2020. At the time of the initial closing under the Dye Cann I SPA, Justin Dye became a director and the Company's Chief Executive Officer.

The Company granted Dye Cann I certain demand and piggyback registration rights with respect to the shares of common stock sold under the Dye Cann I SPA and issuable upon exercise of the warrants sold under the Dye Cann I SPA. The Company also granted Dye Cann I the right to designate one or more individuals for election or appointment to the Company's board of directors (the "Board") and Board observer rights. Further, under the Dye Cann I SPA, until June 5, 2022, if the Company desires to pursue debt or equity financing, the Company must first give Dye Cann I an opportunity to provide a proposal to the Company with the terms upon which Dye Cann I would be willing to provide or secure such financing. If the Company does not accept Dye Cann I's proposal, the Company may pursue such debt or equity financing from other sources but Dye Cann I has a right to participate in such financing to the extent required to enable Dye Cann I to maintain the percentage of the Company's common stock (on a fully-diluted basis) that it then owns, in the case of equity securities, or, in the case of debt, a pro rata portion of such debt based on the percentage of the Company's common stock (on a fully-diluted basis) that it then owns.

The Company entered into a Securities Purchase Agreement (as amended, the "Dye Cann II SPA") with Dye Cann II on November 16, 2020 pursuant to which the Company agreed to sell to Dye Cann II shares of Series A Preferred Stock in one or more tranches at a price of $1,000 per share. The terms of the Dye Cann II SPA are disclosed in the Company's Current Report on Form 8-K filed on December 23, 2020. The Company and Dye Cann II entered into an amendment to the Dye Cann II SPA on December 16, 2020, as described in the Company's Current Report on Form 8-K filed on December 23, 2020, a second amendment to the Dye Cann II SPA on February 3, 2021, as described in the Company's Form 8-K filed on February 9, 2021, and a third amendment to the Dye Cann II SPA on March 30, 2021, as described under Item 9B of the Company's Annual Report on Form 10-K for the year ended December 31, 2021. The Company issued and sold to Dye Cann II 7,700 shares of Series A Preferred Stock on December 16, 2020, 1,450 shares of Series A Preferred Stock on December 18, 2020, 1,300 shares of Series Preferred Stock on December 22, 2020, 3,100 shares of Series A Preferred Stock on February 3, 2021, 3,800 shares of Series A Preferred Stock on March 2, 2021 and 4,000 shares of Series A Preferred Stock on March 30, 2021. As a result, the Company issued and sold an aggregate of 21,350 shares of Series A Preferred Stock to Dye Cann II for aggregate gross proceeds of $21,350,000.

The Company granted Dye Cann II certain demand and piggyback registration rights with respect to the shares of common stock issuable upon conversion of the Series A Preferred Stock under the Dye Cann II SPA. Further, the Company granted Dye Can II the right to designate one or more individuals for election or appointment to the Board and Board observer rights.

On December 16, 2020, the Company entered into a Secured Convertible Note Purchase Agreement with Dye Capital and issued and sold to Dye Capital a Convertible Note and Security Agreement in the principal amount of $5,000,000 as described in the Company's Current Report on Form 8-K filed on December 23, 2020. On February 26, 2021, Dye Capital elected to convert the $5,000,000 principal amount and the $60,250 of accrued but unpaid interest under the Convertible Promissory Note and Security Agreement under its terms and Dye Capital and the Company entered into a Conversion Notice and Agreement pursuant to which the Company issued 5,060 shares of Series A Preferred Stock to Dye Capital and also paid Dye Capital $230.97 in cash in lieu of issuing any fractional shares of Series Preferred Stock upon conversion, as described in the Company's Current Report on Form 8-K filed on March 4, 2021.

The Company previously reported the terms of the Series A Preferred Stock in the Company's Current Report on Form 8-K filed on December 23, 2020 and under Item 1 of this Report, which disclosure is incorporated herein by reference.

During the year ended December 31, 2020, the Company recorded expenses of $66,264 with Tella Digital. During the quarter ended June 30, 2021, the Company recorded expenses of $193,120 with Tella Digital. Tella Digital provides on-premise digital experience solutions for our retail dispensary locations. Mr. Dye serves as Chairman of Tella Digital and has super majority rights.

Transactions with CRW and Affiliated Entities

On February 26, 2021, the Company entered into a Securities Purchase Agreement (the "CRW SPA") with CRW pursuant to which the Company issued and sold 25,350 shares of Series A Preferred Stock to CRW at a price of $1,000 per share for aggregate gross proceeds of $25,350,000. The transaction made CRW a beneficial owner of more than 5% of the Company's common stock. The Company granted CRW certain demand and piggyback registration rights with respect to the shares of common stock issuable upon conversion of the Series A Preferred Stock under the CRW SPA. On the same date, the Company entered into a letter agreement with CRW, granting CRW the right to designate one individual for election or appointment to the Board and Board observer rights. Under the letter agreement, for as long as CRW has the right to designate a Board member, if the Company, directly or indirectly, plans to issue, sell or grant any securities or options to purchase any of its securities, CRW has a right to purchase its pro rata portion of such securities, based on the number of shares of Series A Preferred Stock beneficially held by CRW on the applicable date on an as-converted to common stock basis divided by the total number of shares of common stock outstanding on such date on an as-converted, fully-diluted basis (taking into account all outstanding securities of the Company regardless of whether the holders of such securities have the right to convert or exercise such securities for common stock at the time of determination). Further, under the letter agreement, the Company will pay CRW Capital, LLC, the sole manager of CRW and a holder of a carried interest in CRW, a monitoring fee equal to $150,000 in monthly installments of $10,000. On March 14, 2021, the Board appointed Jeffrey A. Cozad as a director to fill a vacancy on the Board. Mr. Cozad is a manager and owns 50% of CRW Capital, LLC, and he shares voting and disposition power over the shares of Series A Preferred Stock held by CRW. Mr. Cozad and his family members indirectly own membership interests in CRW. The Company previously reported the terms of the CRW SPA and the CRW letter agreement in the Company's Current Report on Form 8-K filed March 4, 2021.

Transactions with Entities Affiliated with Brian Ruden

The Company has participated in several transactions involving entities owned or affiliated with Brian Ruden, one of its directors and a beneficial owner of more than 5% of the Company's common stock and a beneficial owner of more than 5% of the Series A Preferred Stock.

Between December 17, 2020 and March 2, 2021, the Company's wholly-owned subsidiary SBUD, LLC acquired the Star Buds assets. The Company previously reported the terms of the applicable purchase agreements and related amendments in the Company's Current Reports on Form 8-K filed June 8, 2020, September 21, 2020, December 22, 2020, and March 8, 2021.

The aggregate purchase price for the Star Buds assets was $118,000,000, paid as follows: (i) $44,250,000 in cash at the applicable closings, (ii) $44,250,000 in deferred cash, also referred to in this report as "seller note(s)," (iii) 29,500 shares of Series A Preferred Stock, of which 25,075 shares were issued at the applicable closings and 4,425 shares are held in held in escrow and will be released post-closing to either Star Buds or the Company depending on post-closing adjustments to the purchase price. In addition, the Company issued warrants to purchase an aggregate of 5,531,250 shares of the Company's common stock to the sellers. As of June 30, 2021, the Company owed an aggregate principal amount of $44,250,000 under the seller notes. The Company has not paid any principal and has paid an aggregate of $1,752,662 of interest on the seller notes as of June 30, 2021. Mr. Ruden's interest in the aggregate purchase price for the Star Buds assets is as follows: (i) $13,727,490 in cash at the applicable closings, (ii) $13,727,490 in seller notes, (iii) 9,152 shares of Series A Preferred Stock, of which 7,779 shares were issued at the applicable closings and 1,373 shares are held in held in escrow and will be released post-closing to either Mr. Ruden or the Company depending on post-closing adjustments to the purchase price. In addition, the Company issued warrants to purchase an aggregate of 1,715,936 shares of the Company's common stock to Mr. Ruden. The Company has paid Mr. Ruden an aggregate of $544,889 in interest on his seller notes as of June 30, 2021.

Mr. Ruden was a part-owner of each of the Star Buds companies that sold assets to SBUD, LLC. Mr. Ruden owned 50% of Colorado Health Consultants LLC, 50% of Starbuds Aurora LLC, 50% of Starbuds Pueblo LLC, 50% of Starbuds Alameda LLC, 48% of SB Arapahoe LLC, 36% of Starbuds Commerce City LLC, 30% of Starbuds Louisville LLC, 25% of Starbuds Niwot LLC, 16.66% of Lucky Ticket LLC, 15% of KEW LLC, and 10% of LM MJC LLC.

In connection with acquiring the Star Buds assets for our Pueblo West and Commerce City locations, SBUD LLC entered into a lease with each of 428 S. McCulloch LLC and 5844 Ventures LLC on substantially the same terms. Each of the leases is for an initial three-year term. The lease with 428 S. McCulloch LLC is for the Company's Pueblo West Star Buds location and was effective on December 17, 2020. The lease with 45844 Ventures LLC is for the Company's Commerce City Star Buds location and was effective on December 18, 2020. Each lease provides for a monthly rent payment of $5,000. SBUD LLC expect to pay each landlord an aggregate of $180,000 during the initial term of the leases. During 2020, SBUD LLC made aggregate rent payments of $10,000. Between January 1, 2021 and June 30, 2021, SBUD LLC made aggregate rent payments of $60,000. In addition, SBUD LLC must pay each landlord's expenses and disbursements incurred in connection with the ownership, operation, maintenance, repair and replacement of the premises. SBUD LLC has the option to renew each lease for two additional three-year terms. The rent increase to $5,500 per month during the first three-year renewal period, and to $6,050 during the second three-year renewal period. The Company has an option to purchase the premises at fair market value at any time during the lease term and also has a right of first refusal if the landlords desire to sell the premises to a third party.

On December 17, 2020, SBUD, LLC entered into a Trademark License Agreement with Star Brands LLC under which Star Brands LLC licenses certain trademarks to SBUD, LLC effective as of the closing of the acquisitions of all of the Star Buds assets. SBUD LLC has no payment obligation under this agreement. Mr. Ruden is a part-owner of Star Brands LLC.

In connection with the Star Buds acquisitions, the Company granted Mr. Ruden and Naser Joudeh the right designate individuals for election or appointment to the Board.

8. **Inventory**

As of June 30, 2021, and December 31, 2020, respectively, the Company had $5,948,853 and $2,090,887 of finished goods inventory. As of June 30, 2021, the Company had $858,628 of work in process and $2,375,461 of raw materials. As of December 31, 2020, the Company had $500,917 of work in process and $27,342 of raw materials. The Company uses the FIFO inventory valuation method. As of June 30, 2021 and December 31, 2020, the Company did not recognize any impairment for obsolescence within its inventory.

9. **Goodwill**

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.

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.

On September 17, 2018, we closed the acquisition of The Big Tomato. The Company issued an aggregate of 1,933,329 shares of its common stock for 100% ownership of The 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.

On April 20, 2020, the Company closed the acquisition of Mesa Organics. The aggregate purchase price after working capital adjustments was $2,609,500 of cash and 2,554,750 shares of the Company's Common Stock. The Company accounted for the transaction utilizing purchase price accounting stating that the book value approximates the fair market value of the assets acquired. The purchase price accounting resulted in the Company valuing the investment as $2,147,613 of goodwill.

From December 2020 through March 2021, the Company closed the acquisition of thirteen Star Buds dispensaries and one cultivation facility. The aggregate purchase price was $118,000,000. The Company accounted for the transaction utilizing purchase price accounting stating that the book value approximates the fair market value of the assets acquired. The purchase price accounting resulted in the Company valuing the investment as $27,054,025 of goodwill.

As of June 30, 2021, the Company had $41,505,944 of goodwill which consisted of $6,301,080 from Success Nutrients and Pono Publications, $3,003,226 from DCG, $3,000,000 from The Big Tomato, $2,147,613 from Mesa Organics, and $27,054,025 from Star Buds.

10. **Debt**

Term Loan — On February 26, 2021, the Company entered into a Loan Agreement with SHWZ Altmore, LLC and GGG Partners LLC, as collateral agent. Upon execution of the Loan Agreement, the Company received $10,000,000. The term loan incurs 15% interest per annum, due quarterly on March 1, June 1, September 1, and December 1 of each year. Principal payments begin on June 1, 2023 in the amount of $500,000, with the remainder of the principal due upon maturity on February 26, 2025.

Under the terms of the loan, the Company must comply with certain restrictions. These include customary events of default and specified representations as well as various financial ratio requirements including, (i) a consolidated fixed charge coverage ratio of at least 1.3 at the end of each fiscal quarter beginning in the first quarter of 2022, and (ii) a minimum of $3,000,000 in a deposit account in which the lender has a security interest. As of June 30, 2021, the Company was in compliance with the requirements described above.

Seller Notes — As part of the acquisition of the Star Buds assets, the Company entered into a deferred payment arrangement with the sellers for $44,250,000. The deferred payment arrangement incurs 12% interest per annum, payable on the 1st of every month through November 2025. Principal payments are due as follows: $13,901,759 on December 17, 2025, $3,474,519 on February 3, 2026, and $26,873,722 on March 2, 2026.

11. **Leases**

Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Leases with a term greater than one year are recognized on the balance sheet at the time of lease commencement or modification of an ROU operating lease asset and a lease liability, initially measured at the present value of the lease payments. Lease costs are recognized in the income statement over the lease term on a straight-line basis. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

The Company's leases consist of real estate leases for office spaces. The Company elected to combine the lease and related non-lease components for its operating leases.

The Company's operating leases include options to extend or terminate the lease, which are not included in the determination of the ROU asset or lease liability unless reasonably certain to be exercised. The Company's operating leases have remaining lease terms of less than two years. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As the Company's leases do not provide an implicit rate, we used an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The discount rate used in the computations ranged between 6% and 12%.

Balance Sheet Classification of Operating Lease Assets and Liabilities

	Balance Sheet Line	June 30, 2021
Asset		
Operating lease right of use assets	Noncurrent assets	$ 3,934,370
Liabilities		
Lease liabilities	Noncurrent liabilities	$ 4,078,375

Lease Costs

The table below summarizes the components of lease costs for the six months ended June 30, 2021.

	Six Months Ended June 30, 2021
Operating lease costs	$ 650,692

Maturities of Lease Liabilities

Maturities of lease liabilities as of June 30, 2021 are as follows:

2021 fiscal year	$ 4,809,658
Less: Interest	182,344
Present value of lease liabilities	$ 4,627,314

The following table presents the Company’s future minimum lease obligation under ASC 840 as of June 30, 2021:

2021 fiscal year	$ 740,076
2022 fiscal year	1,479,393
2023 fiscal year	1,354,595
2024 fiscal year	723,590
2025 fiscal year	333,356
Total	$ 4,631,010

12. **Stockholders’ Equity**

The Company is authorized to issue two classes of stock, designated preferred stock and common stock.

Preferred Stock

The number of shares of preferred stock authorized is 10,000,000, par value $0.001 per share. The preferred stock may be divided into such number of series as the Board may determine. The Board is authorized to determine and alter the rights, preferences, privileges and restrictions granted and imposed upon any wholly unissued series of preferred stock, and to fix the number and designation of shares of any series of preferred stock. The Board, within limits and restrictions stated in any resolution of the Board, originally fixing the number of shares constituting any series may increase or decrease, but not below the number of such series then outstanding, the shares of any subsequent series.

The Company had 87,266 shares of Series A Preferred Stock issued and outstanding as of June 30, 2021 and 19,716 shares of Series A Preferred Stock issued and outstanding as of December 31, 2020. Among other terms, each share of Series A Preferred Stock (i) earns an annual dividend of 8% on the “preference amount,” which initially is equal to the $1,000 per-share purchase price and subject to increase, by having such dividends automatically accrete to, and increase, the outstanding preference amount; (ii) is entitled to a liquidation preference under certain circumstances, (iii) is convertible into shares of the Company’s common stock by dividing the preference amount by $1.20 per share under certain circumstances, and (iv) is subject to a redemption right or obligation under certain circumstances.

Common Stock

The Company is authorized to issue 250,000,000 shares of common stock at a par value of $0.001. The Company had 42,925,303 shares of common stock issued and 42,408,259 shares of common stock outstanding as of June 30, 2021, and 42,601,773 shares of common stock issued and 42,169,041 shares of common stock outstanding as of December 31, 2020.

Common Stock Issued in Private Placements

During the year ended December 31, 2020, the Company issued 187,500 shares of common stock and warrants to purchase 187,500 shares of common stock, for gross proceeds of $375,000.

Common Stock Issued as Compensation to Employees, Officers, and Directors

On April 3, 2020, the Company cancelled 500,000 shares of common stock, with vesting conditions represented as derivative instruments. These shares were incorrectly issued as restricted shares instead of restricted stock units to an officer of the Company, Paul Dickman, on January 8, 2019.

During the six months ended December 31, 2020, the Company issued 406,895 shares of common stock valued at $497,301 to employees, officers, and directors as compensation.

During the period ended June 30, 2021, the Company issued 323,530 shares of common stock valued at $557,998 to employees, and directors as compensation.

Common and Preferred Stock Issued as Payment for Acquisitions

On April 20, 2020, the Company issued 2,554,750 shares of common stock valued at $4,167,253 for the acquisition of Mesa Organics, Ltd.

On December 17, 2020, the Company issued 2,862 shares of Series A Preferred Stock valued at $2,861,994 and on December 18, 2020, the Company issued 6,404 shares of Series A Preferred Stock valued at $6,403,987 for the acquisition of Star Buds assets.

On February 3, 2021, the Company issued 2,319 shares of Series A Preferred Stock valued at $2,318,998 and on March 3, 2021, the Company issued 17,921 shares of Series A Preferred Stock valued at $17,920,982 for the acquisition of Star Buds assets.

Warrants

The Company accounts for common stock purchase warrants in accordance with ASC 480, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock, Distinguishing Liabilities from Equity*. The Company estimates the fair value of warrants at date of grant using the Black-Scholes option pricing model. 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 June 30, 2021, the Company issued warrants to purchase an aggregate of 3,793,530 shares of common stock as purchase consideration for the acquisition of certain Star Buds assets. These warrants have an exercise price of $1.20 per share and expiration dates five years from the date of issuance. In addition, the Company issued a warrant to purchase an aggregate 1,500,000 shares of common stock to an accredited investor in connection with entering into a loan agreement. This warrant has an exercise price of $2.50 per share and expires five years from the date of issuance. The Company estimated the fair value of these warrants at date of grant using the Black-Scholes option pricing model using the following inputs: (i) stock price on the date of grant of $1.20 of $2.50, respectively, (ii) the contractual term of the warrant of 5 years, (iii) a risk-free interest rate ranging between 0.46% - 0.75% and (iv) an expected volatility of the price of the underlying common stock ranging between 192.71% - 195.00%.

The following table reflects the change in common stock purchase warrants for the six months ended June 30, 2021.

	Number of shares
Balance as of January 1, 2021	11,725,220
Warrants exercised	–
Warrants forfeited	–
Warrants issued	5,293,530
Balance as of June 30, 2021	17,018,750

Option Repricing

On December 15, 2020, the Board repriced certain outstanding stock options issued to the Company's current employees. The repriced stock options had original exercise prices ranging from $1.52 per share to $3.83 per share. All of these stock options to current employees were repriced to have an exercise price of $1.26 per share, which was the closing price of the Company's common stock on December 15, 2020. Each of the options has a new 10-year term from the repricing date.

13. Segment Information

The Company has three identifiable segments as of June 30, 2021; (i) retail, (ii) wholesale and (iii) and other. The retail segment represents our dispensaries which sell merchandise directly to customers via retail locations and e-commerce portals. The wholesale segment represents our manufacturing and wholesale business which sell merchandise to customers via e-commerce portals, a retail location, and manufacturing facility. The other segment derives its revenue from licensing and consulting agreements with cannabis related entities, in addition to fees from seminars and expense reimbursements included in other revenue on the Company's financial statements.

The following information represents segment activity for the three-month periods ended June 30, 2021 and June 30, 2020:

	For the Three Months Ended 30-June-2021				For the Three Months Ended 30-June-2020			
	Retail	Wholesale	Other	Total	Retail	Wholesale	Other	Total
Revenues	$ 21,525,816	$ 9,186,180	$ 16,844	$ 30,728,841	$ 732,459	$ 4,106,195	$ 586,675	$ 5,424,329
Cost of goods and services	$ (9,562,361)	$ (6,208,416)	$ (55,564)	$ (15,826,341)	$ (477,085)	$ (2,356,159)	$ (273,442)	$ (3,106,686)
Gross profit	$ 11,963,455	$ 2,977,764	$ (38,720)	$ 14,902,500	$ 255,374	$ 2,382,741	$ 734,127	$ 2,317,643
Intangible assets amortization	$ 2,755,794	$ (191)	$ 134	$ 2,755,736	$ –	$ 3,027	$ 268	$ 1,647
Depreciation	$ 136,500	$ 5,385	$ 118,957	$ 260,843	$ 76,448	$ 4,593	$ 9,933	$ 86,510
Income (loss) from operations	$ 6,643,360	$ 2,519,461	$ (4,792,780)	$ 4,370,040	$ (76,789)	$ 1,448,547	$ (9,346,774)	$ (6,595,707)
Segment assets	$ 133,063,287	$ 24,484,790	$ 25,811,195	$ 183,359,272	$ 1,730,156	$ 20,783,819	$ 12,498,980	$ 36,012,965

The following information represents segment activity for the six-month periods ended June 30, 2021 and June 30, 2020:

	For the Six Months Ended 30-June-2021				For the Six Months Ended 30-June-2020			
	Retail	Wholesale	Other	Total	Retail	Wholesale	Other	Total
Revenues	$ 33,342,016	$ 16,632,445	$ 94,494	$ 50,068,955	$ 732,459	$ 6,635,126	$ 1,259,878	$ 8,627,463
COGS	$ (17,063,118)	$ (10,692,109)	$ (158,224)	$ (27,913,451)	$ (477,085)	$ (4,252,385)	$ (525,751)	$ (5,255,221)
Gross profit	$ 16,278,898	$ 5,940,336	$ (63,730)	$ 22,155,504	$ 255,374	$ 2,382,741	$ 734,127	$ 3,372,242
Intangible assets amortization	$ 4,350,095	$ 1,305	$ 266	$ 4,351,667	$ –	$ 3,027	$ 268	$ 3,295
Depreciation	$ 220,798	$ 9,026	$ 225,656	$ 455,480	$ 76,448	$ 4,593	$ 9,933	$ 90,974
Income (loss) from operations	$ 8,042,011	$ 5,333,475	$ (12,654,954)	$ 720,532	$ (76,789)	$ 1,448,547	$ (9,346,774)	$ (7,975,017)
Segment assets	$ 133,063,287	$ 24,484,790	$ 25,811,195	$ 183,359,272	$ 1,730,156	$ 20,783,819	$ 12,498,980	$ 36,012,965

14. **Tax Provision**

The following table summarizes the Company's income tax expense and effective tax rates for the three and six months ended June 30, 2021 and June 30, 2020:

	Three Months Ended June 30,	
	2021	2020
Income (Loss) before Income Taxes	4,598,515	(6,595,707)
Income Tax Expense	228,474	–
Effective Tax Rate	4.97%	0%

	Six Months Ended June 30,	
	2021	2020
Income (Loss) before Income Taxes	1,405,620	(7,975,017)
Income Tax Expense	685,088	–
Effective Tax Rate	48.74%	0%

The Company has computed its provision for income taxes under the discrete method which treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. We believe that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as the estimated annual effective tax rate method is not reliable due to the high degree of uncertainty in estimating annual pre-tax income due to the early growth stage of the business.

Due to its cannabis operations, the Company is subject to the limitations of Internal Revenue Code ("IRC") Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

The effective tax rate for the three months and six months ended June 30, 2021 varies from the three months and six months ended June 30, 2020 primarily due to IRC Section 280E. The Company acquired plant-touching cannabis operations during 2020 and 2021 and these plant-touching operations are subject to the limitations of IRC Section 280E. In April 2020, the Company acquired its first plant-touching business, Mesa Organics. Prior to this acquisition, the Company was not subject to IRC Section 280E.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's valuation allowance represents the amount of tax benefits that are likely to not be realized. Management assesses the need for a valuation allowance each period and continues to have a full valuation allowance on its deferred tax assets as of June 30, 2021.

The Federal statute of limitation remains open for the 2017 tax year to present. The state statute of limitation remains open for the 2016 tax year to present.

15. **Subsequent Events**

In accordance with FASB ASC 855-10, *Subsequent Events*, the Company has analyzed its operations subsequent to June 30, 2021 to the date these consolidated financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these consolidated financial statements, except as follows:

On July 21, 2021, the Company, completed its previously announced asset purchase from SCG Services, LLC (the “APA Seller”), pursuant to the terms of an asset purchase agreement, dated May 27, 2021, among the Company, SCG Holding, LLC, a wholly-owned subsidiary of the Company (the “Purchaser”), the APA Seller, and John Sakun and Vladimir Sakun (together, the “APA Members”).

At the closing, the Purchaser purchased all of the assets of the APA Seller that are used in or held for use in or are related to the operation of the APA Seller’s business of growing, distributing and marketing recreational cannabis products, on the terms and subject to the conditions set forth in the asset purchase agreement, and assumed obligations under contracts acquired as part of the purchase.

The aggregate purchase price for the assets of the APA Seller was $6.725 million, approximately $1.2 million of which was paid in cash and the remainder of which was paid in shares of the Company’s common stock based on the volume weighted average price per share of the Company’s common stock for the prior 30 consecutive trading days, as determined in reasonable good faith by the Purchaser on the date that was three business days prior to the closing, or 1,992,593 shares. The Company held back 10% of each of the cash portion, approximately $0.1 million, and the stock portion, 221,400 shares, of the purchase price as collateral for potential claims for indemnification from the APA Seller and the APA Members under the asset purchase agreement. Any portion of the held-back cash portion and stock portion not used to satisfy indemnification claims will be released to the APA Members on the first anniversary of the closing.

Also, at the closing, the Purchaser acquired certain real estate from BWR L.L.C.(the “Real Estate Seller”), pursuant to the terms of an agreement of purchase and sale, dated May 27, 2021, between the Purchaser and the Real Estate Seller.

At closing, the Purchaser purchased and acquired from the Real Estate Seller certain real property consisting of approximately 36 acres located in Huerfano County, Colorado, together with, among other things, all structures and improvements thereon, all fixtures therein or thereto and all privileges, easements and appurtenances pertaining thereto, including all of the Real Estate Seller’s right, title and interest in and to any adjacent or adjoining streets, alleys, or rights-of-ways and any strips or gores. The aggregate purchase price for the property of the Real Estate Seller was $4.499 million, which was paid in cash.

On July 28, 2021, Mesa Organics Ltd, a wholly-owned subsidiary of the Company, in its capacity as the administrative borrower, entered into a First Amendment to Loan Agreement with SHWZ Altmore, LLC, as lender, and GGG Partners LLC, as collateral agent, effective as of June 25, 2021. The amendment amended two definitions in the Loan Agreement, dated February 26, 2021, among Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd., SCG Holding, LLC and PBS Holdco LLC, SHWZ Altmore LLC and GGG Partners LLC, to extend the time period during which the borrowers are eligible to request the final $5,000,000 advance under the Loan Agreement by 60 days, or until August 25, 2021. On July 28, 2021, SHWZ Altmore LLC made the final advance of $5,000,000 to the borrowers under the Loan Agreement. As previously reported, the final advance was conditioned on, among other things, the Company’s completing its asset purchase from SCG Services, LLC, which occurred on July 21, 2021.

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

The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included herein and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC. In addition to our historical unaudited condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q and our most recent Annual Report on Form 10-K, particularly in Part I, Item 1A "Risk Factors." See also, "CAUTIONARY NOTE ABOUT FORWARD-LOOKING INFORMATION."

Overview

We were incorporated in Nevada on March 20, 2014. On May 1, 2014, we entered into an exclusive Technology License Agreement with 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 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).

In 2017, the Company acquired additional cultivation intellectual property through the acquisition of Success Nutrients™ and Pono Publications, including the rights to the book titled "Three A Light" and its associated cultivation techniques, which have been part of the Company's products and services offerings since the acquisition. The Company acquired Two J's LLC d/b/a The Big Tomato ("Big T or The Big Tomato") in 2018, which operates a retail location in Aurora, Colorado. It has been a leading supplier of hydroponics and indoor gardening supplies in the metro Denver area since May 2001. The Company was focused on cannabis dispensary and cultivation consulting and providing equipment and nutrients to cannabis cultivators until its first plant touching acquisition in April of 2020. In 2019, due to the changes in Colorado law permitting non-Colorado resident and publicly traded investment into "plant-touching" cannabis companies, the Company made a strategic decision to move toward direct plant-touching operations. The Company developed a plan to roll up a number of direct plant-touching dispensaries, manufacturing facilities, and cannabis cultivations with a target to be one of the largest seed to sale cannabis businesses in Colorado. In April 2020 the Company acquired its first plant-touching business, Mesa Organics, which consists of four dispensaries and one MIP, d/b/a Purplebee's.

On April 20, 2020, the Company rebranded and conducts its business under the trade name, Schwazze. The corporate name of the Company continues to be Medicine Man Technologies, Inc. Effective April 21, 2020, the Company commenced trading under the OTC ticker symbol SHWZ.

On December 17, 2020, the Company acquired the assets of (i) Starbuds Pueblo LLC; and (ii) Starbuds Alameda LLC under the applicable APAs. On December 18, 2020, the Company acquired the assets of (i) Starbuds Commerce City LLC; (ii) Lucky Ticket LLC; (iii) Starbuds Niwot LLC; and (iv) LM MJC LLC under the applicable APAs.

On February 4, 2021, the Company acquired the assets of Colorado Health Consultants LLC and Mountain View 44th LLC under the applicable APAs.

On March 2, 2021, the Company acquired the assets of (i) Starbuds Aurora LLC, (ii) SB Arapahoe LLC, (iii) Citi-Med LLC, (iv) Starbuds Louisville LLC and (v) KEW LLC under the applicable APAs.

From December 2020 through March 2021 the Company completed a private placement of Series A Preferred Stock for aggregate gross proceeds of $57.7 million dollars. In the private placement, the Company issued and sold an aggregate of 57,700 shares of Series A Preferred Stock at a price of $1,000 per share under securities purchase agreement with Dye Capital and CRW as well as subscription agreements with unaffiliated investors. Among other terms, each share of Series A Preferred Stock (i) earns an annual dividend of 8% on the "preference amount," which initially is equal to the $1,000 per-share purchase price and subject to increase, by having such dividends automatically accrete to, and increase, the outstanding preference amount; (ii) is entitled to a liquidation preference under certain circumstances, (iii) is convertible into shares of the Company's common stock by dividing the preference amount by $1.20 per share under certain circumstances, and (iv) is subject to a redemption right or obligation under certain circumstances.

In addition, on December 16, 2020, the Company issued and sold a Convertible Promissory Note and Security Agreement in the original principal amount of $5,000,000 to Dye Capital. On February 26, 2021, Dye Capital converted all outstanding amounts under the note into 5,060 shares of Series A Preferred Stock.

The Company is focused on growing through internal growth, acquisition, and new licenses in the Colorado cannabis market. The Company is focused on building the premier vertically integrated cannabis company in Colorado. The company's leadership team has deep expertise in mainstream consumer packaged goods, retail, and product development at Fortune 500 companies as well as in the cannabis sector. The Company has a high-performance culture and a focus on analytical decision making, supported by data. Customer-centric thinking inspires the Company’s strategy and provides the foundation for the Company’s operational playbooks.

The Company’s operations are organized into three different segments as follows: (i) retail, consisting of retail locations for sale of cannabis products, (ii) wholesale, consisting of manufacturing and sale of wholesale cannabis products, nutrients for cannabis, and hydroponics and indoor gardening supplies, and (iii) other, consisting of all other income and expenses, including those related to licensing and consulting services, facility design services, facility management services, and corporate operations.

Results of Operations

Comparison of Results of Operations for the three months ended June 30, 2021 and 2020

Revenues

Revenue for the three months ended June 30, 2021 totaled $30,728,841 and consisted of (i) retail revenue of $21,525,816, (ii) wholesale revenue of $9,186,180, and (iii) other operating revenue of $16,844, compared to $5,424,329 for the three months ended June 30, 2020, consisting of(i) retail revenue of $732,459, (ii) wholesale revenue of $4,106,195, and (iii) other operating revenue of $585,675, representing an increase of $25,304,512, or 466.5%. This increase was due to increased sale of our products as well as growth through acquisition.

Cost of Goods and Services

Cost of goods and services for the three months ended June 30, 2021 totaled $15,826,341, compared to cost of goods and services of $3,106,686 during the three months ended June 30, 2020 representing an increase of $12,719,655 or 409.4%. This increase was due to increased sale of our products as well as growth through acquisition.

Operating Expenses

Operating expenses for the three months ended June 30, 2021 totaled $10,461,584, compared to operating expenses of $8,667,604 during the three months ended June 30, 2020 representing an increase of $1,793,980 or 20.7%. This increase was due to increased selling, general and administrative expenses, and salaries, benefits and related employment costs, offset by decreases in professional service fees, and non-cash, stock-based compensation.

Other Income (Expense), Net

Net other income for the three months ended June 30, 2021 totaled $157,598, compared to net other expense of $245,746 during the three months ended June 30, 2020. The increase in other income was primarily due to an unrealized gain recognized on the change in fair value of certain derivative liabilities and an unrealized gain on investments, offset by interest expense.

Net Income (Loss)

As a result, we generated net income of $4,370,041 during the three months ended June 30, 2021 or approximately $0.10 per share, compared to net loss of $6,595,707 or approximately $0.16 per share during the three months ended June 30, 2020.

Comparison of Results of Operations for the six months ended June 30, 2021 and 2020

Revenues

Revenue for the six months ended June 30, 2021 totaled $50,068,955 and consisted of (i) retail revenue of $33,342,016, (ii) wholesale revenue of $16,632,445, and (iii) other operating revenue of $94,494, compared to $8,627,463 for the six months ended June 30, 2020, consisting of (i) retail of $732,459, (ii) wholesale of $6,635,126, and (iii) other operating revenues of $1,259,878, representing an increase of $41,441,493, or 480.3%. This increase was due to increased sale of our products as well as growth through acquisition.

Cost of Goods and Services

Cost of goods and services for the six months ended June 30, 2021 totaled $27,913,451, compared to cost of goods and services of $5,255,221 during the six months ended June 30, 2020 representing an increase of $22,658,231 or 431.2%. This increase was due to increased sale of our products as well as growth through acquisition.

Operating Expenses

Operating expenses for the six months ended June 30, 2021 totaled $19,199,494, compared to operating expenses of $13,833,278 during the six months ended June 30, 2020 representing an increase of $5,366,216 or 38.8%. This increase was due to increased selling, general and administrative expenses, professional service fees, and salaries, benefits and related employment costs, offset by a decrease in stock-based compensation.

Other Income (Expense), Net

Net other expense for the six months ended June 30, 2021 totaled $1,550,390, compared to net other income of $2,486,019 during the six months ended June 30, 2020. The decrease in other expenses was primarily due to an unrealized gain recognized on the change in fair value of certain derivative liabilities, unrealized gain on investments, and a gain on sale of assets, offset by interest expense. In addition, there was a gain on forfeiture of contingent consideration during the six months ended June 30, 2020 that was not present during the six months ended June 30, 2021.

Net Income (Loss)

As a result, we generated net income of $720,532 during the six months ended June 30, 2021 or approximately $0.02 per share, compared to net loss of $6,595,707 or approximately $0.16 per share during the six months ended June 30, 2020.

Liquidity and Capital Resources

As of June 30, 2021, we had $21,130,769 in cash and cash equivalents. Net cash provided by operating activities was $1,395,416 during the six months ended June 30, 2021, compared to cash used in operating activities of $4,054,088 for the six months ended June 30, 2020, representing an increase in cash provided of $5,449,504. Cash flows used for investing activities was $67,132,921 during the six months ended June 30, 2021, compared to cash used of $3,253,675 for the six months ended June 30, 2020, representing an increase of $63,879,246. Cash flows provided by financing activities was $85,631,039 during the six months ended June 30, 2021, compared to $374,500 for the six months ended June 30, 2020, representing an increase of $85,256,539. This increase was due to securities issued related to the acquisition of the Star Buds assets.

The Company's debt obligations are discussed in Note 10, Debt, in the Notes to Unaudited Condensed Interim Financial Statements contained in this Quarterly Report on Form 10-Q and such discussion is incorporated herein by this reference.

We will likely need to raise additional capital to fund our growth acquisition strategy. We may explore capital raising transactions in the form of debt, equity or both. At this time, we are unable to state how much additional capital we may need. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company can obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stockholders, in case of equity financing. Failure to obtain this additional financing may have a material negative impact on our ability growth the company at the pace we anticipate.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2021 and December 31, 2020.

Critical Accounting Estimates

Our financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates used to prepare the condensed financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in our Annual Report on Form 10-K for the year ended December 31, 2020 in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Not applicable

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

On June 7, 2019, the Company filed a complaint against ACC Industries Inc. (“ACC”) and Building Management Company B, L.L.C., in state district court located in Clark County, Nevada, alleging, amongst other causes of action, breach of contract, conversion, and unjust enrichment and seeking general, special and punitive damages in the amount of $3,876,850. On July 17, 2019, the parties stipulated to stay the case in favor of arbitration. On February 25, 2020 ACC filed a counterclaim alleging breach of contract, which the Company believes is without merit. The Company discovered new facts that lead it to believe that a related entity not previously named as a party to the arbitration should be brought in as a party to the arbitration. Based upon the new facts, the Company filed a motion to amend the complaint to add new claims and the related entity as a party. On September 1, 2020, the court ruled in favor of the Company and permitted the Company to amend the complaint to add the related entity. On September 1, 2020, the Company filed an amended complaint naming the related entity a party and added intentional misrepresentation, fraudulent inducement, civil conspiracy, aiding and abetting, successor liability and fraudulent concealment claims. The Company began arbitration proceedings on November 2, 2020. The Company completed arbitration in February 2021. On May 14, 2021, the Arbitrator entered an award in favor of the Company in the amount of $1,935,273 with an offset of $150,000 for a total award of $1,785,273. The arbitration will now enter into a second phase to adjudicate the remaining alter ego claims once mutually scheduled by the parties.

On July 6, 2018, the Company filed a complaint in the Eight Judicial Court, Clark County, Nevada against Vegas Valley Growers (“VVG”). In the complaint, the Company alleges breach by VVG of the Technologies License Agreement dated April 27, 2017 between the parties and seeks general, special and punitive damages in the amount of $3,876,850. On August 28, 2018, VVG filed an Answer and Counterclaim against the Company. On August 2, 2019, a jury found in favor of the Company and awarded the Company damages totaling $2,773,321 plus pre and post judgment interest as well as attorneys’ fees. In March 2020, VVG filed its opening appeal brief with the Nevada Supreme Court. The Company’s response brief was due on May 15, 2020. After VVG filed its opening brief in March 2020, the Company filed a Motion to Strike portions of the brief and record. On August 27, 2020, the court ordered VVG to supplement its brief and the record. On October 27, 2020, the Company, in a joint request with VVG, filed a motion to extend its time to file its answering brief. The Company filed its answering brief in January 2021. VVG’s reply brief was filed in March 2021. On July 23, 2021, the Nevada Supreme Court affirmed the trial court’s damage award, but remanded the case to the trial court to properly calculate post-judgement interest.

On March 6, 2020, the Company’s former Chief Operating Officer, Joe Puglise, issued an arbitration demand against the Company claiming breach of contract and seeking equity compensation and cash damages. The Company counterclaimed with breach of contract and breach of fiduciary duty claims for unspecified damages. The ultimate resolution of the matter could result in a Company loss of up to $3,500,000 in stock-based compensation. The parties commenced arbitration on January 25, 2021 and concluded it in March 2021. On May 12, 2021, the arbitration panel entered an award in favor of Mr. Puglise for $189,920 for a performance bonus plus interest, and 2,000,000 vested options to purchase shares of common stock. Mr. Puglise was also awarded attorneys’ fees and costs in the amount of $391,768.28.

Item 1A. ***Risk Factors***

There have been no material changes in the risk factors applicable to us from those identified in the Annual Report on Form 10-K for the period ended December 31, 2020 filed with the Securities and Exchange Commission on March 31, 2021.

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

None.

Item 3. ***Defaults upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

2.1+	Asset Purchase Agreement, dated May 27, 2021, by and among SCG Holding, LLC, Medicine Man Technologies, Inc., SCG Services, LLC, and John Sakun and Vladimir Sakun (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 2, 2021 (Commission File No. 000-55450))
2.2+	Agreement of Purchase and Sale, dated May 27, 2021, by and between SCG Holding, LLC and BWR L.L.C. (Incorporated by reference to Exhibit 2.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 2, 2021 (Commission File No. 000-55450))
2.3+	Asset Purchase Agreement, dated June 25, 2021, by and among Double Brow, LLC, Medicine Man Technologies, Inc., BG3 Investments, LLC, Black Box Licensing, LLC, and Brian Searchinger (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed July 1, 2021 (Commission File No. 000-55450))
10.1	First Amendment to Justin Dye Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))
10.2	Second Amendment to Nancy Huber Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))
10.3	First Amendment to Nirup Krishnamurthy Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))
10.4	First Amendment to Dan Pabon Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32**	Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

+ Certain exhibits and schedules to the agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to supplementally furnish copies of any omitted schedules to the Securities and Exchange Commission upon request.

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 16, 2021

MEDICINE MAN TECHNOLOGIES, INC.

By: /s/ Justin Dye
Justin Dye, Chief Executive Officer
(Authorized Officer)

By: /s/ Nancy Huber
Nancy Huber, Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Justin Dye, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medicine Man Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 16, 2021

/s/ Justin Dye
Justin Dye, Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Nancy Huber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medicine Man Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 16, 2021	/s/ Nancy Huber
	Nancy Huber, Chief Financial Officer

Exhibit 32

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

In connection with this quarterly report of Medicine Man Technologies, Inc. (the “Company”) on Form 10-Q for the fiscal period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (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: August 16, 2021	/s/ Justin Dye Justin Dye, Chief Executive Officer
Dated: August 16, 2021	/s/ Nancy Huber Nancy Huber, Chief Financial Officer