

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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended June 30, 2020**

**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**

(State or other jurisdiction of  
Incorporation or organization)

**46-5289499**

(I.R.S. Employer Identification No.)

**4880 Havana Street  
Suite 201**

**Denver, Colorado 80239**

(Address of principal executive offices)

**(303) 371-0387**

(Issuer's Telephone Number)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
None	None	None

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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

Non-accelerated filer

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 10, 2020, the Registrant had 41,937,146 shares of Common Stock outstanding.

## TABLE OF CONTENTS

	<b>Page</b>
<b><u>Part I – FINANCIAL INFORMATION</u></b>	
	1
	2
Item 1.	26
Item 2.	29
Item 3.	29
Item 4.	29
<b><u>Part II – OTHER INFORMATION</u></b>	
Item 1.	30
Item 1A.	32
Item 2.	32
Item 3.	32
Item 4.	32
Item 5.	32
Item 6.	33
	34

## **CAUTIONARY NOTE ABOUT FORWARD-LOOKING INFORMATION**

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

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

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

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

**Part I. FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,418,317	\$ 11,853,627
Accounts receivable, net of allowance for doubtful accounts	1,291,082	313,317
Accounts receivable – related party	124,856	72,658
Inventory	1,977,572	684,940
Notes receivable – related party	767,695	767,695
Prepaid expenses and other current assets	422,000	529,416
Prepaid acquisition costs (Note 11)	–	1,347,462
<b>Total current assets</b>	<b>10,001,522</b>	<b>15,569,115</b>
<b>Non-current assets</b>		
Fixed assets, net accumulated depreciation of \$670,535 and \$159,354, respectively	2,562,612	239,078
Goodwill	17,445,843	12,304,306
Intangible assets, net accumulated amortization of \$23,106 and \$19,811, respectively	71,994	75,289
Investment	517,514	406,774
Accounts receivable – litigation	3,063,968	3,063,968
Deferred tax assets, net	268,423	268,423
Notes receivable – noncurrent, net	292,101	241,711
Operating lease right of use assets	1,747,109	59,943
Other assets	41,879	–
<b>Total non-current assets</b>	<b>26,011,443</b>	<b>16,659,492</b>
<b>Total assets</b>	<b>\$ 36,012,965</b>	<b>\$ 32,228,607</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,808,718	\$ 699,961
Accounts payable – related party	606,196	15,372
Accrued expenses	1,848,933	1,091,204
Derivative liabilities	1,467,318	3,773,382
Income taxes payable	–	1,940
<b>Total current liabilities</b>	<b>6,731,165</b>	<b>5,581,859</b>
<b>Noncurrent liabilities</b>		
Lease liabilities	1,770,742	66,803
<b>Total noncurrent liabilities</b>	<b>1,770,742</b>	<b>66,803</b>
<b>Total liabilities</b>	<b>8,501,907</b>	<b>5,648,662</b>
Commitments and contingencies (Note 11)	–	–
<b>Shareholders' equity</b>		
Common stock \$0.001 par value, 90,000,000 authorized, 42,194,878 shares issued and 41,937,146 shares outstanding at June 30, 2020, and 39,952,628 shares issued and outstanding at December 31, 2019.	42,195	39,953
Additional paid-in capital	59,260,357	50,356,469
Accumulated deficit	(30,791,494)	(22,816,477)
Common stock held in treasury, at cost, 257,732 shares held at June 30, 2020 and December 31, 2019.	(1,000,000)	(1,000,000)
<b>Total shareholders' equity</b>	<b>27,511,058</b>	<b>26,579,945</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 36,012,965</b>	<b>\$ 32,228,607</b>

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, 2020 and 2019*  
*Expressed in U.S. Dollars*

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Operating revenues:</b>				
Product sales, net	\$ 4,779,243	\$ 1,212,499	\$ 7,197,478	\$ 2,596,209
Product sales – related party, net	59,411	119,480	170,107	280,070
Consulting and licensing services	585,675	422,596	1,246,932	876,265
Other operating revenues	–	3,244	12,946	8,751
Total revenue	<u>5,424,329</u>	<u>1,757,819</u>	<u>8,627,463</u>	<u>3,761,295</u>
<b>Cost of goods and services:</b>				
Cost of goods and services	<u>3,106,686</u>	<u>1,086,413</u>	<u>5,255,221</u>	<u>2,685,125</u>
Total cost of goods and services	3,106,686	1,086,413	5,255,221	2,685,125
<b>Gross profit</b>	<u>2,317,643</u>	<u>671,406</u>	<u>3,372,242</u>	<u>1,076,170</u>
<b>Operating expenses:</b>				
Selling, general and administrative expenses	1,088,479	454,389	1,755,398	823,195
Professional services	2,371,743	863,068	3,620,731	1,633,849
Salaries, benefits and related expenses	2,098,291	446,837	4,095,327	809,058
Stock based compensation	3,109,091	2,225,406	4,361,822	2,980,406
Derivative expense – contingent compensation	–	5,024,576	–	5,400,559
Total operating expenses	<u>8,667,604</u>	<u>9,014,276</u>	<u>13,833,278</u>	<u>11,647,067</u>
<b>Income from operations</b>	<u>(6,349,961)</u>	<u>(8,342,870)</u>	<u>(10,461,036)</u>	<u>(10,570,897)</u>
<b>Other income (expense):</b>				
Gain on forfeiture of contingent consideration	–	–	1,462,636	–
Interest income (expense), net	(11,447)	(192,277)	36,595	(192,277)
Other income (expense)	32,621	–	32,621	–
Unrealized gain (loss) on derivative liabilities	(348,535)	80,472	843,428	(254,564)
Unrealized gain (loss) on investments	81,615	(367,975)	110,739	(716,730)
Total other income (expense)	<u>(245,746)</u>	<u>(479,780)</u>	<u>2,486,019</u>	<u>(1,163,571)</u>
<b>Net income (loss)</b>	<u>\$ (6,595,707)</u>	<u>\$ (8,822,650)</u>	<u>\$ (7,975,017)</u>	<u>\$ (11,734,468)</u>
<b>Earnings (loss) per share attributable to common shareholders:</b>				
Basic and diluted earnings (loss) per share	<u>\$ (0.16)</u>	<u>\$ (0.30)</u>	<u>\$ (0.20)</u>	<u>\$ (0.40)</u>
Weighted average number of shares outstanding - basic and diluted	<u>41,568,147</u>	<u>29,857,473</u>	<u>40,742,462</u>	<u>29,113,665</u>
Other comprehensive income (loss), net of tax	–	–	–	–
Total other comprehensive income (loss), net of tax	–	–	–	–
<b>Comprehensive income (loss)</b>	<u>\$ (6,595,707)</u>	<u>\$ (8,822,650)</u>	<u>\$ (7,975,017)</u>	<u>\$ (11,734,468)</u>

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, 2020 and 2019*  
*Expressed in U.S. Dollars*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Value			Shares	Cost	
Balance at, December 31, 2018	27,753,310	\$ 27,875	\$ 22,886,624	\$ (5,840,735)	-	-	\$ 17,073,764
Net income (loss)	-	-	-	(11,734,468)	-	-	(11,734,468)
Issuance of common stock in connection with sales made under private or public offerings	2,200,000	2,200	4,397,800	-	-	-	4,400,000
Issuance of common stock in connection with the exercise of common stock purchase warrants	452,426	451	601,273	-	-	-	601,724
Issuance of common stock as compensation to employees, officers and/or directors	1,190,000	1,190	2,723,710	-	-	-	2,724,900
Issuance of common stock in exchange for consulting, professional, and other services	173,775	174	305,348	-	-	-	305,522
Stock based compensation expense related to common stock options	-	-	255,506	-	-	-	255,506
Balance, June 30, 2019	<u>31,769,511</u>	<u>\$ 31,890</u>	<u>31,170,261</u>	<u>\$ (17,575,203)</u>	<u>-</u>	<u>-</u>	<u>\$ 13,626,948</u>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Value			Shares	Cost	
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	<u>42,194,878</u>	<u>\$ 42,195</u>	<u>59,260,357</u>	<u>\$ (30,791,494)</u>	<u>257,732</u>	<u>\$ (1,000,000)</u>	<u>\$ 27,511,058</u>

**MEDICINE MAN TECHNOLOGIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
*For the Three months Ended June 30, 2020 and 2019*  
*Expressed in U.S. Dollars*

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>		<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Value</u>			<u>Shares</u>	<u>Cost</u>	
Balance at, March 31, 2019	<u>28,585,098</u>	<u>\$ 28,705</u>	<u>\$ 24,071,971</u>	<u>\$ (8,752,553)</u>	<u>–</u>	<u>\$ –</u>	<u>\$ 15,348,123</u>
Net income (loss)	–	–	–	(8,822,650)	–	–	(8,822,650)
Issuance of common stock in connection with sales made under private or public offerings	2,200,000	2,200	4,397,800	–	–	–	4,400,000
Issuance of common stock in connection with the exercise of common stock purchase warrants	334,413	335	444,434	–	–	–	444,769
Issuance of common stock as compensation to employees, officers and/or directors	476,225	476	1,695,202	–	–	–	1,695,678
Issuance of common stock in exchange for consulting, professional, and other services	173,775	174	305,348	–	–	–	305,522
Stock based compensation expense related to common stock options	–	–	255,506	–	–	–	255,506
Balance, June 30, 2019	<u>31,769,511</u>	<u>\$ 31,890</u>	<u>31,170,261</u>	<u>\$ (17,575,203)</u>	<u>–</u>	<u>\$ –</u>	<u>\$ 13,626,948</u>

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>		<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Value</u>			<u>Shares</u>	<u>Cost</u>	
Balance at, March 31, 2020	<u>39,952,628</u>	<u>\$ 39,953</u>	<u>\$ 51,609,200</u>	<u>\$ (24,195,787)</u>	<u>257,732</u>	<u>\$ (1,000,000)</u>	<u>\$ 26,453,366</u>
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	<u>42,194,878</u>	<u>\$ 42,195</u>	<u>59,260,357</u>	<u>\$ (30,791,494)</u>	<u>257,732</u>	<u>\$ (1,000,000)</u>	<u>\$ 27,511,058</u>

See accompanying notes to the financial statements

**MEDICINE MAN TECHNOLOGIES, INC.**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
*For the Six months Ended June 30, 2020 and 2019*  
*Expressed in U.S. Dollars*

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Net income for the period	\$ (7,975,017)	\$ (11,734,468)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	94,269	29,042
Bad debt expense	-	-
Common stock issued in exchange for fees and services	-	210,521
Derivative expense	-	5,400,559
Loss on change in derivative liabilities	(2,306,064)	254,563
Loss on investment, net	(110,739)	716,730
Stock based compensation	4,361,822	2,980,406
Changes in operating assets and liabilities		
Accounts receivable	780,772	775,962
Inventory	445,345	(43,844)
Prepaid expenses and other assets	65,538	(54,279)
Operating lease right of use assets and liabilities	16,773	(45,226)
Accounts payable and other liabilities	575,153	776,684
Income taxes payables	(1,940)	-
<b>Net cash (used in) operating activities</b>	<u>(4,054,088)</u>	<u>(733,348)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets, net of sales	(593,785)	(7,312)
Purchase of intangible assets	-	(6,000)
Consideration for acquisition of business	(2,609,500)	-
Issuance of notes receivable	(50,390)	(229,358)
<b>Net cash (used in) investing activities</b>	<u>(3,253,675)</u>	<u>(242,670)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock, net of issuance costs and return of common stock	374,500	4,400,000
Proceeds from exercise of common stock purchase warrants, net of issuance costs	-	601,725
<b>Net cash provided by financing activities</b>	<u>374,500</u>	<u>5,001,725</u>
Net decrease in cash and cash equivalents	(6,933,263)	4,025,707
Cash and cash equivalents - beginning of period	12,351,580	321,788
<b>Cash and cash equivalents - end of period</b>	<u>\$ 5,418,317</u>	<u>\$ 4,347,495</u>

See accompanying notes to the financial statements



**MEDICINE MAN TECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**Organization and Nature of Operations**

Business Description – Business Activity

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

The Company commenced its business on May 1, 2014 and generated revenues from consulting activities for prospective clients interested in entering the cannabis industry as well as sponsoring seminars offered to the cannabis industry and other business endeavors related to its core competencies.

In 2019, due to the changes in Colorado law permitting outside investment, the Company made a strategic decision to move toward direct plant-touching operations. Following that decision by executive leadership, the Company issued binding term sheets to several Colorado acquisition targets across the value chain. It believes that these targets are high quality, and the Company’s successful acquisition of these potential targets would allow it to become one of the largest vertically integrated seed-to-sale operators in the United States cannabis industry. These term sheets were announced in several Current Reports on Form 8-K during 2019. If successfully completed, the Company, post-transactions, will be able to offer retail, cultivation and extraction services. Management believes that the current company combined with the acquisition targets in its Colorado “roll-up” strategy will have the potential to create a vertically integrated company, which would further enjoy a competitive advantage operating in the Colorado market against incumbent operators. In addition to the contemplated business-integration benefits, management believes the sharing of best practices amongst the Company and the acquisition targets will allow for improved operations, revenue enhancements and increased profitability. Scale may also afford the ability to create an integrated back office system, providing a differentiated technology backbone to support the Company’s operations and enhance its overall management and operating capabilities. There can be no assurance that any of the proposed acquisitions will be consummated.

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 April 20, 2020 the Company completed its first acquisition of a Colorado plant touching entity, acquiring Mesa Organics, Ltd (“Mesa”) and its subsidiaries. These four entities include a Manufacturing Infusing Products (MIP) facility and four dispensaries. All are located in Southeastern Colorado. These acquisitions are included in our Products segment reporting.

**1. Liquidity and Capital Resources**

During the quarters ending June 30, 2020 and 2019, the Company primarily used revenues from its operation supplemented by cash to fund its operations.

Cash and cash equivalents are carried at cost and represent cash on hand, deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date. The Company had \$5,418,317 and \$11,853,627 classified as cash and cash equivalents as of June 30, 2020, and December 31, 2019, respectively. The Company anticipates it will need additional funds for the Star Buds acquisition and working capital and are exploring capital raising transactions in the form of equity and debt.

The Company maintains its cash balances with a high-credit-quality financial institutions. At times, such cash may be more than the insured limit of \$250,000. As of June 30, 2020 and December 31, 2019 respectively, the cash balance was \$5,168,317 and \$486,101 over the insured limit. 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.

The following table depicts the composition of the Company's cash and cash equivalents as of June 30, 2020, and December 31, 2019:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Deposits placed with banks	\$ 5,418,317	\$ 736,101
United States Treasury Bills	–	11,117,526
Total cash and cash equivalents	<u>\$ 5,418,317</u>	<u>\$ 11,853,627</u>

## 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 consolidated financial statements include all of the adjustments, which in the opinion of management are necessary to a fair presentation of 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 consolidated financial statements should be read in conjunction with the audited consolidated financial statements at December 31, 2019 and 2018, as presented in the Company's Annual Report on Form 10-K filed on March 30, 2020 with the SEC.

### Basis of Presentation

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

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

The following is the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis at June 30, 2020 and December 31, 2019, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Level 1 – Marketable Securities Available-for-Sale – Recurring	517,514	406,774

### 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. (CHV), a publicly-traded company whose securities are actively quoted on the Toronto Stock Exchange. At both June 30, 2020 and December 31, 2019, the Company owned 17,650,540 shares of CHV common stock. The closing share price of CHV's common stock on June 30, 2020 was CAD\$0.040 per share.

### 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. Accounts receivable related to licensing and consulting revenues are recorded at the time the milestone result in the funds being due being achieved, services are delivered, and payment is reasonably assured. Licensing and consulting revenues are generally collected from 30 to 60 days after the invoice is sent.

The following table depicts the composition of our accounts receivable as of June 30, 2020, and December 31, 2019:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Accounts receivable – trade	\$ 1,332,878	\$ 384,202
Accounts receivable – related party	124,856	72,658
Accounts receivable – litigation	3,063,968	3,063,968
Allowance for doubtful accounts	(41,796)	(70,885)
Total accounts receivable	<u>\$ 4,479,906</u>	<u>\$ 3,449,943</u>

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. At June 30, 2020 and December 31, 2019, the Company recorded an allowance for doubtful accounts of \$41,796 and \$70,885, respectively. During the six months ended June 30, 2020 and June 30, 2019, the Company recorded a bad debt expense of \$29,089 and \$0, respectively.

### 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. (CHV). 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 36 months and bears interest at a rate of 2%. As of June 30, 2020 and December 31, 2019, the outstanding balance, including accrued interest, on the notes receivable with AMC totaled \$292,101 and \$241,711, respectively. The Company classified these loans as noncurrent notes receivable on its consolidated balance sheets as of June 30, 2020 and December 31, 2019, respectively.

### Other Assets (Current and Non-Current)

Other assets at June 30, 2020 and December 31, 2019 were \$463,879 and \$529,416, respectively. As of June 30, 2020, this balance included \$422,000 in prepaid expenses and \$41,879 in security deposits. At December 31, 2019, other assets included \$480,881 in prepaid expenses, \$21,085 in interest receivable and \$27,450 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 at December 31, 2019, 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 at June 30, 2020 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, 2019 on its subsidiaries with material amounts on their respective balance sheets and determined that no impairment exists. No additional factors or circumstances existed at June 30, 2020 that would indicate impairment.

### Accounts Payable

Accounts payable at June 30, 2020 and December 31, 2019 were \$2,808,718 and \$699,961, 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 at June 30, 2020 and December 31, 2019 were \$1,848,933 and \$1,091,204, respectively. At June 30, 2020, this was comprised of customer deposits of \$81,441, accrued payroll of \$961,891, and operating expenses of \$805,601. At December 31, 2019, accrued expenses and other liabilities was comprised of customer deposits of \$148,109, accrued payroll of \$714,220, and operating expenses of \$228,875.

### Revenue Recognition and Related Allowances

The Company adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, on January 1, 2018. The Company recognizes revenues, upon delivery of goods to the customer – at which time the Company’s performance obligation is satisfied – at an amount that the Company expects to be entitled to in exchange for those goods in accordance with the five step analysis outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied.

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 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: product sales; licensing and consulting fees; and other operating revenues from seminars, reimbursements and other miscellaneous sources.

Product sales are recorded at the time that control of the products is transferred to customers. In evaluating the timing of the transfer of control of products to customers, 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.

Revenue from licensing and consulting services 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. At June 30, 2020, all milestones for contracts were satisfactorily reached and no further performance obligations were outstanding on contracts through the period.

Revenue from seminar fees is related to one-day seminars and is recognized as 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 \$336,529 and \$465,796 for the three and six months ended June 30, 2020, respectively, as compared to \$73,088 and \$128,489, respectively, for the three and six months ended June 30, 2019.

### Stock Based Compensation

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 to through direct stock grants is expensed as occurred. Since the Company’s stock has become publicly traded, the value is determined based on the number of shares issued and the trading value of the stock on the date of the transaction.

On June 20, 2018, the 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 \$3,109,091 and \$4,361,822 in expense for stock-based compensation from common stock options issued to employees during the three and six months ended June 30, 2020, and \$2,225,406 and 2,980,406 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, 2019.

### 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 and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

### 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 Right-of-Use assets and operating lease liabilities, current and non-current, on the Company's consolidated balance sheets.

### Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with ASC 260, “*Earnings per Share*”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. These potential dilutive shares include 3,474,500 shares from vested stock options and 9,987,500 stock purchase warrants. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

### **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:

*FASB ASU 2017-01, Clarifying the Definition of a Business (Topic 805)* – In January 2017, the FASB issued 2017-01. The new guidance that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. The ASU is effective for annual reporting periods beginning after December 15, 2017, and for interim periods within those years. Adoption of this ASU 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 will be effective for public companies with fiscal years beginning after December 15, 2020; early adoption is permitted. 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, 2020	December 31, 2019
Furniture and fixtures	\$ 129,927	\$ 98,903
Leasehold improvements	84,679	40,953
Machinery and tools	1,947,949	34,000
Office equipment	75,848	33,833
Software	110,677	-
Work in process	884,067	190,743
	<u>\$ 3,233,147</u>	<u>\$ 398,432</u>
Less: Accumulated depreciation	(670,535)	(159,354)
Total property and equipment, net of depreciation	<u>\$ 2,562,612</u>	<u>\$ 239,078</u>

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, 2020 was \$86,510 and \$90,974, respectively, compared to \$14,966 and \$25,617, respectively, for the three and six months ended June 30, 2019.

## 5. Intangible Asset

Intangible assets at June 30, 2020 and December 31, 2019 were comprised of the following:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
License agreement	\$ 5,300	\$ 5,300
Product license and registration	57,300	57,300
Trade secret – intellectual property	32,500	32,500
Subtotal	\$ 95,100	\$ 95,100
Less: accumulated amortization	(23,106)	(19,811)
Total intangible assets, net of amortization	<u>\$ 71,994</u>	<u>\$ 75,289</u>

Amortization expense for the three and six months ended June 30, 2020 was \$1,647 and \$3,295, respectively, compared to \$1,729 and \$3,425, respectively, for the three and six months ended June 30, 2019.

## 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.

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) the contractual term of the derivative instrument ranging between 2.25 - 3 years, (iii) a risk-free interest rate ranging between 1.56% - 2.57% and (iv) an expected volatility of the price of the underlying common stock ranging between 136% - 158%.

As of June 30, 2020, the fair value of these derivative liabilities is \$1,467,318. The change in the fair value of derivative liabilities for the three months ended June 30, 2020 was \$(348,535), resulting in an aggregate unrealized loss on derivative liabilities. The change in the fair value of the derivative liabilities for the six months ended June 30, 2020 was 843,428, resulting in an aggregated unrealized gain on derivative liabilities.

## 7. Related Party Transactions

During the year ended December 31, 2019, the Company's Chief Cultivation Officer, Joshua Haupt, who currently owns 20% of both Super Farm and De Best, was an Officer of the Company and therefore a related party. Effective December 4, 2019, he was no longer an Officer and therefore no longer a related party. As such, he is not included as a related party with respect to sales and accounts receivable to Super Farm or De Best during the period ended June 30, 2020.

During the six months ended June 30, 2020, the Company had sales from Medicine Man Denver totaling \$170,106. There were no sales discounts during the six months ended June 30, 2020. As of June 30, 2020, the Company had an accounts receivable balance with Medicine Man Denver totaling \$83,679. The Company's former Chief Executive Officer, Andy Williams, maintains an ownership interest in Medicine Man Denver.

During the six months ended June 30, 2020, the Company did not record any sales from MedPharm Holdings LLC ("MedPharm Holdings"). As of June 30, 2020, the Company had a net accounts receivable balance with MedPharm Holdings totaling \$3,326. Also, during the year ended December 31, 2019, the Company issued various notes receivable to MedPharm Holdings totaling \$767,695 with original maturity dates ranging from September 21, 2019 through January 19, 2020 and bearing interest between 8-10% per annum. All notes extended to July 2020 by mutual agreement between the Company and noteholder. The Company's former Chief Executive Officer, Andy Williams, maintains an ownership interest in MedPharm Holdings.

During the six months ended June 30, 2020, the Company did not record any sales from Baseball 18, LLC ("Baseball"), Farm Boy, LLC ("Farm Boy"), Emerald Fields LLC ("Emerald Fields"), or Los Sueños Farms (Los Sueños). During the six months ended June 30, 2020, the Company had a net accounts payable balance of \$156,318 with Baseball, \$245,953 with Farm Boy, \$114,838 with Emerald Fields, and \$51,237 with Los Sueños. One of the Company's former directors, Robert DeGabrielle, owns the Colorado retail marijuana cultivation licenses for Farm Boy, Emerald Fields and Baseball, all doing business as Los Sueños Farms.

On May 20, 2020, the Company entered into a second amendment (the "Amendment") to that certain securities purchase agreement (the "Agreement") dated as of June 5, 2019 by and between the Company and Dye Capital Cann Holdings, LLC, a Delaware limited liability company (the "Investor" and together with the Company the "Parties") as described in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on June 6, 2019, as amended by the first amendment to the Agreement dated as of July 15, 2019 (the "First Amendment") and as described in a Current Report on Form 8-K filed with the SEC on July 17, 2019. The Agreement, as amended by the First Amendment, contemplated, among other things, the sale by the Company to the Investor in three separate tranches of shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), together with warrants to purchase the number of shares of Common Stock purchased in each tranche closing (the "Warrants"). At the time of the closing of the initial transactions contemplated in the Agreement, Justin Dye, principal of the Purchaser, became a Director and Chief Executive Officer of the Company; the Purchaser is currently the Company's largest shareholder and Mr. Dye has voting and dispositive power over the securities held by the Purchaser. The Amendment provides, pursuant to the terms and subject to the conditions set forth therein, that in addition to the shares of Common Stock and Warrants previously purchased by the Investor in connection with the Agreement as amended by the First Amendment, the Investor shall purchase in a private placement 187,500 shares of Common Stock at a price of \$2.00 per share together with 187,500 Warrants at an exercise price of \$3.50 per share (the "Transaction"). The Transaction closed on May 21, 2020.

## 8. Inventory

As of June 30, 2020, and December 31, 2019, respectively, the Company had \$1,977,572 and \$684,940 of inventory. At December 31, 2019 all inventory was finished goods inventory. At June 30, 2020, \$849,153 was finished goods inventory and \$1,128,419 was raw materials. The Company uses the FIFO inventory valuation method. As of June 30, 2020 and December 31, 2019, the Company did not recognize any impairment for obsolescence within its inventory.

## 9. Goodwill

On April 20, 2020, the Company closed the acquisition of Mesa Organics, Ltd (“Mesa”). 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, par value \$0.001 per share. 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 \$5,141,537 of goodwill. The purchase price allocation is preliminary. The purchase price allocation will continue to be preliminary until a third-party valuation is finalized and the fair value and useful life of the assets acquired is determined. The amounts from the final valuation may significantly differ from the preliminary allocation.

The following table sets forth the changes in the carrying value of the Company’s goodwill at June 30, 2020 and December 31, 2019:

Balance, December 31, 2019	\$	12,304,306
Acquisition of Mesa		5,141,537
Balance, June 30, 2020	\$	<u>17,445,843</u>

## 10. 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 a right of use (“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, commercial retail, and storage 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 three to five 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 computation is 6%.

### Balance Sheet Classification of Operating Lease Assets and Liabilities

	<u>Balance Sheet Line</u>	<u>June 30, 2020</u>
<b>Asset</b>		
Operating lease right of use assets	Noncurrent assets	\$ 1,747,109
<b>Liabilities</b>		
Lease liabilities	Noncurrent liabilities	\$ 1,770,742

### Lease Costs

The table below summarizes the components of lease costs for the six months ended June 30, 2020.

	<u>Six Months Ended June 30, 2020</u>
Operating lease costs	\$ 101,568

### Maturities of Lease Liabilities

Maturities of lease liabilities as of June 30, 2020 are as follows:

2020 fiscal year	\$ 1,793,866
Less: Interest	(23,124)
Present value of lease liabilities	<u>\$ 1,770,742</u>

The following table presents the Company's future minimum lease obligation under ASC 840 as of June 30, 2020:

2020 fiscal year	\$ 225,732
2021 fiscal year	451,464
2022 fiscal year	451,464
2023 fiscal year	410,232
2024 fiscal year	369,000
2025 fiscal year	123,000
Total	<u>\$ 2,030,892</u>

## 11. **Commitments and Contingencies**

### Binding Term Sheets to Acquire Certain Businesses

Over the past three years, the Company has supported legislation in Colorado to allow licensed cannabis companies in Colorado to trade their securities, provided they are reporting companies under the Exchange Act, as amended. HB19-1090 titled, "Publicly Licensed Marijuana Companies" was signed into law on May 29, 2019 and went into effect on November 1, 2019. The bill repeals the provision that prohibits publicly traded corporations from holding a marijuana license in Colorado.

Effective January 10, 2019, the Company entered into binding term sheets to acquire three cannabis and cannabis related companies, including the following:

- FutureVision 2020, LLC and FutureVision Ltd., Inc. dba Medicine Man Denver (in the aggregate, “Medicine Man Denver”), owners of several licensed dispensaries and a cultivation facility in the Denver, Colorado metro area. It is also a leading cultivator, retailer and one of the best-known brands in the cannabis sector, winning over a dozen industry awards. Medicine Man Denver operates out of a 35,000 square foot cultivation operation and has four popular retail locations across the Denver metropolitan area. This term sheet expires on August 31, 2020 and the Company communicated it was terminating the term sheet on Friday, August 14, 2020;
- MedPharm Holdings, a company that develops and manages intellectual property related to the manufacture and formulation of products containing cannabinoid extracts. Management believes that this acquisition will bring world-class processing and pharmaceutical-grade products to the company; and
- MX LLC, the holder of the license that allow it to be a manufacturer of marijuana infused products in the Denver metro area. It also has a research license that has been issued by the state of Colorado and the local jurisdiction approval is in process.

The term sheets provide for the issuance of shares of common stock to the targets at an initial price per share of \$1.32, with the final price to be determined based on the fair market valuation, which is subject to an independent valuation assessment. The Company’s former Chief Executive Officer, Andrew Williams, serves as an officer/manager and has an ownership interest in each of the targets above.

On August 15, 2019, the Company entered into a binding term sheet with Medically Correct, LLC (“Medically Correct”), an edible, extract and topical company, setting forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Medically Correct. As consideration, the Company shall pay a total purchase price of \$17,250,000 consisting of \$3,450,000 cash and 4,677,967 shares of its common stock, par value \$0.001 per share. The 4,677,967 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to August 8, 2019.

On September 5, 2019, the Company entered into a binding term sheet dated September 2, 2019 with RSFCG, LLC, RFSCA LLC, RFSCB, LLC, RFSCEV, LLC, RFSCED LLC, RFSCLV, LLC, RFSCG-1 LLC, and RFSCLVG LLC, which entities operate under the name Roots RX (“Roots RX”) pursuant to which the Company will purchase the membership interests of Roots RX. As consideration, the Company shall pay a total purchase price of \$15,000,000 consisting of \$9,750,000 in cash and 1,779,661 shares of its common stock, par value \$0.001 per share. The 1,779,661 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to August 29, 2019.

On September 9, 2019, the Company entered into a binding term sheet with Canyon, LLC (“Canyon”) and It Brand Enterprises, LLC (“It Brand”) pursuant to which the Company will purchase 100% of the capital stock or assets of Canyon and certain assets of It Brand. As consideration, the Company shall pay a total purchase price of \$5,130,000 consisting of (i) a cash component which in no case will be greater than \$2,565,000, and (ii) an equity component, which will consist of shares of the Company’s common stock, par value \$0.001 per share, for the balance of the purchase price. The number of shares that make up the equity component will be determined by dividing the balance of the Purchase Price by the average closing price of Company’s common stock for the five (5) days prior to September 7, 2019.

#### *Definitive Agreement to Acquire the Colorado-Based Star Buds Branded Dispensaries*

On June 5, 2020, the Company and SBUD, LLC, a Colorado limited liability company and wholly owned subsidiary of the Company (the “Purchaser”) entered into thirteen separate purchase agreements (each individually the “CHC Agreement” the “Citi Agreement” the “Lucky Agreement” the “Kew Agreement” the “Aurora Agreement” the “Arapahoe Agreement” the “Alameda Agreement” the “44th Agreement” the “Pueblo Agreement” the “Louisville Agreement” the “Niwot Agreement” the “Longmont Agreement” and the “Commerce City Agreement,” and collectively the “Agreements”) together with each of Colorado Health Consultants, LLC, CitiMed, LLC, Lucky Ticket LLC, Kew LLC, SB Aurora LLC, SB Arapahoe LLC, SB Alameda LLC, SB 44th LLC, Star Buds Pueblo LLC, Star Buds Louisville LLC, Star Buds Niwot LLC, Star Buds Longmont LLC, and Star Buds Commerce City LLC (any one a “Star Buds Company” and collectively the “Star Buds Group”) whereby the Purchaser agreed to purchase substantially all of the assets of the Star Buds Group from each individual Star Buds Company pursuant to the Agreements (the “Purchase”). As previously disclosed in a Current Report on Form 8-K filed September 3, 2019, the Company and the Star Buds Group entered into a binding term sheet whereby the Company agreed to purchase the membership interests of each member of each Star Buds Company (the “Proposed Transaction”); the Agreements were entered into in lieu of the Proposed Transaction.

The aggregate purchase price for the assets of the Star Buds Group is approximately \$118 million, subject to adjustment upon the closing of the Purchase based on, among other things, the target inventory as opposed to actual inventory and target working capital as opposed to net working capital of each member of the Star Buds Group, and shall be payable to the Star Buds Group and the members a mix of cash and shares of the Company's common stock, par value \$0.001 per share (the "Purchase Price"). The Purchaser will not assume any liabilities of the Star Buds Group other than accounts payable by Star Buds Group, liabilities in respect of any contractual arrangements assigned to the Purchaser by the Star Buds Group, and liabilities in connection with administrative fees associated with obtaining necessary governmental approvals or waivers of such approvals. The Purchaser has also agreed to pay certain transfer taxes in connection with the Purchase. The closing of the Purchase is subject to customary closing terms and conditions, and the closing of the purchase of the assets by the Purchaser of any Star Buds Company is subject to additional closing conditions as set forth in the Agreements.

#### Prepaid acquisition costs

The Company has entered into a number of sales transactions with companies above for which it has executed binding term sheets to acquire. The Company expects to settle each of these outstanding balances with the respective entity at the time of, or shortly following, their acquisition.

The contemplated acquisitions detailed above are conditioned upon the satisfaction or mutual waiver of certain closing conditions, including, but not limited to:

- regulatory approval relating to all applicable filings and expiration or early termination of any applicable waiting periods;
- regulatory approval of the Marijuana Enforcement Division and applicable local licensing authority approval;
- receipt of all material necessary, third party, consents and approvals;
- each party's compliance in all material respects with the respective obligations under the term sheet;
- a tax structure that is satisfactory to both the Company and the targets;
- the execution of leases and employment agreements that are mutually acceptable to each party; and
- the execution of definitive agreements between the respective parties.

There can be no assurance that the Company will be able to consummate any of the proposed acquisitions.

#### Departure of Officers

On February 25, 2020, Andy Williams resigned from the positions of President and member of the Board of Directors of the Company. Mr. Williams's resignation was not the result of any disagreement with the Company on any matter relating to the company's operations, policies or practices. Simultaneously, the Company entered into a Severance Agreement and Release (the "Severance Agreement") with Mr. Williams.

The Severance Agreement provides that as severance and in consideration of a customary release against the Company and other customary covenants, Mr. Williams will receive (i) continued salary in the amount of \$300,000, half of which to be paid within ten days of the execution of the Severance Agreement, and the remaining half is to be paid in 26 equal disbursements in accordance with the Company's regular payroll periods, (ii) bonus payment in the amount of \$25,000, (iii) one year family health care coverage, (iv) stock options to purchase 350,000 shares of the Company's common stock, which may be exercised on a cashless basis and which vest immediately on the date of termination at a price of \$1.80 per share and valued at \$582,228, and (v) stock options to purchase 15,000 shares of the Company's common stock, which may be exercised on a cashless basis at a price of \$1.80 per share, valued at \$27,000, at the one year anniversary of the termination date if Mr. Williams is compliant with the terms of the Severance Agreement.

On June 19, 2020, the Company received the resignation of Robert DeGabrielle from the positions of Chief Operating Officer and member of the Board of Directors of the Company. Mr. DeGabrielle's resignation was not the result of any disagreement with the Company on any matters relating to the Company's operations, policies, or practices.

## 12. Stockholders' Equity

On December 10, 2019, the shareholders approved an amendment to the Company's articles of incorporation increasing the number of authorized shares of common stock from 90,000,000 shares to 250,000,000 shares.

The Company is authorized to issue two classes of shares, 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 Company's Board of Directors 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.

### Common Stock

The Company is authorized to issue 250,000,000 shares of common stock at a par value of \$0.001 and had 42,194,878 shares of common stock issued and 41,937,146 shares of common stock outstanding as of June 30, 2020, and 39,952,628 shares of common stock issued and outstanding as of December 31, 2019.

### Common Stock Issued in Connection with the Exercise of Warrants

During the six months ended June 30, 2019, the Company issued 452,426 shares of common stock for proceeds of \$601,725 under a series of stock warrant exercises with an exercise price of \$1.33 per share.

During the six months ended June 30, 2020, the Company issued 187,500 shares of common stock for proceeds of \$375,000 under a series of stock warrant exercises with an exercise price of \$2.00 per share.

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

On January 8, 2019, the Company granted to an officer of the Company, Paul Dickman, 500,000 shares of common stock, valued at \$660,000.

On March 14, 2019, the Company granted 50,000 shares of common stock to James Toreson upon his resignation as a member of its board of directors for his service. These shares were valued at \$95,000. Concurrent with his resignation, the Company issued 50,000 shares of its common stock to Mr. Toreson in connection with a consulting agreement having a service period extending through May 31, 2020. These shares were valued at \$95,000.

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. The return of these shares had no impact on EPS for the quarter ended June 30, 2020.

### Common Stock Issued as Payment for Acquisition

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.



## 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 year ended December 31, 2019, the Company issued 9,800,000 common stock purchase warrants to various accredited investors with an exercise price of \$3.50 per share with an expiration date of three years from the date of issuance. On May 20, 2020, the Company issued an additional 187,500 common stock purchase warrants with an exercise price of \$3.50 per share with an expiration date of three 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 \$3.50, (ii) the contractual term of the warrant of 3 years, (iii) a risk-free interest rate ranging between 0.21% - 1.84% and (iv) an expected volatility of the price of the underlying common stock ranging between 158% - 173%.

The following table reflects the change in common stock purchase warrants for the six months ended June 30, 2020. All stock warrants are exercisable for a period of three years from the date of issuance.

	<u>Number of shares</u>
Balance as of January 1, 2020	9,800,000
Warrants exercised	—
Warrants forfeited	—
Warrants issued	187,500
Balance as of June 30, 2020	<u>9,987,500</u>

### 13. Segment Information

The Company has three identifiable segments as of June 30, 2020; (i) products, (ii) consulting and licensing and (iii) corporate, infrastructure and other. The products segment sells merchandise directly to customers via e-commerce portals, through the Company's proprietary websites and retail location. The licensing and consulting segment sales 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 corporate, infrastructure and other segment represents new resources added in anticipation of various acquisition transactions and other corporate related costs.

The following information represents segment activity for the three-month periods ended June 30, 2020 and June 30, 2019:

	For the Three Months Ended				For the Three Months Ended			
	30-June-2020				30-June-2019			
	Products	Consulting and Licensing	Corporate, Infrastructure and Other	Total	Products	Consulting and Licensing	Corporate, Infrastructure and Other	Total
Revenues	\$ 4,838,654	\$ 585,675	\$ –	\$ 5,424,329	\$ 1,301,735	\$ 456,084	\$ –	\$ 1,757,819
Cost of goods and services	\$ (2,833,244)	\$ (273,442)	\$ –	\$ (3,106,686)	\$ (319,229)	\$ (767,184)	\$ –	\$ (1,086,412)
Gross profit	\$ 2,005,410	\$ 312,233	\$ –	\$ 2,317,643	\$ 982,506	\$ (311,100)	\$ –	\$ 671,406
Intangible assets amortization	\$ 1,514	\$ 133	\$ –	\$ 1,647	\$ 1,597	\$ 132	\$ –	\$ 1,729
Depreciation	\$ 79,809	\$ 6,701	\$ –	\$ 86,510	\$ 1,700	\$ 13,266	\$ –	\$ 14,966
Income (loss) from operations	\$ 925,258	\$ 313,028	\$ (7,833,993)	\$ (6,595,707)	\$ 237,239	\$ (197,465)	\$ (8,862,424)	\$ (8,822,650)
Segment assets	\$ 9,578,911	\$ (6,240,425)	\$ 2,645,188	\$ 5,983,674	\$ 222,826	\$ (9,269,203)	\$ 12,646,902	\$ 3,600,525

The following information represents segment activity for the six-month periods ended June 30, 2020 and June 30, 2019:

	For the Six Months Ended				For the Six Months Ended			
	30-June-20				30-June-19			
	Products	License/Cons.	Corporate Infrastructure and Other	Total	Products	License/Cons.	Corporate Infrastructure and Other	Total
Revenues	7,367,585	1,259,878	–	8,627,463	2,880,042	881,253	–	3,761,295
COGS	(4,729,470)	(525,751)	–	(5,255,221)	(1,729,670)	(955,455)	–	(2,685,125)
Gross profit	2,638,115	734,127	–	3,372,242	1,150,372	(74,202)	–	1,076,170
Intangible assets amortization	3,027	268	–	3,295	3,160	265	–	3,425
Depreciation	81,041	9,933	–	90,974	3,400	22,217	–	25,617
Income (loss) from operations	1,371,757	467,455	(9,814,229)	(7,975,017)	179,552	(394,681)	(11,519,339)	(11,734,468)
Segment assets	22,513,985	247,170	13,251,810	36,012,965	5,435,508	287,359	15,642,009	21,364,876

#### 14. Tax Provision

The company utilizes FASB ASC 740, *Income Taxes* which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company recorded no tax provision as of June 30, 2020. As of June 30, 2020, the Company had federal, state and local net operating loss carryforwards of approximately \$10.2 million that are available to offset future liabilities for income taxes. The Company has generally established a valuation allowance against these carryforwards based on an assessment that it is more likely than not that these benefits will not be realized in future years. The federal and state net operating loss carryforwards expire in 2039.

## 15. Subsequent Events

In accordance with FASB ASC 855-10, *Subsequent Events*, the Company has analyzed its operations subsequent to June 30, 2020 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:

### Termination of Proposed Acquisitions

On July 1, 2020, the Company terminated the binding term sheet (the “Dabble Term Sheet”) with Cold Baked, LLC and Golden Works, LLC (d/b/a “Dabble”), each a Colorado limited liability company, which term sheet had set forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Dabble. The Dabble Term Sheet was previously described in the Company’s Current Report on Form 8-K filed on August 12, 2019, and incorporated herein by reference.

On July 1, 2020, the Company terminated the binding term sheet (the “Los Suenos Term Sheet”) with Los Suenos, LLC (“Los Suenos”) and Emerald Fields Grow, LLC (“Emerald”), each a Colorado limited liability company, which term sheet had set forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Los Suenos and Emerald, respectively. The Los Suenos Term Sheet was previously described in the Company’s Current Report on Form 8-K filed on June 6, 2019, and incorporated herein by reference.

On July 1, 2020, the Company terminated the binding term sheet (the “Farm Boy Term Sheet”) with Farm Boy, LLC (“Farm Boy”) and Baseball 18, LLC (“Baseball”), each a Colorado limited liability company, which term sheet had set forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Farm Boy and Baseball, respectively. The Farm Boy Term Sheet was previously described in the Company’s Current Report on Form 8-K filed on June 6, 2019, and incorporated herein by reference.

On July 27, 2020, the Company received notice of termination from Medically Correct, LLC (“MC”) terminating the term sheet to acquire MC. The term sheet was previously described in the Company’s Current Report on Form 8-K filed on August 20, 2019, and incorporated herein by reference.

On August 14, 2020 the Company terminated the term sheet with FutureVision 2020, LLC and FutureVision Ltd., Inc. dba Medicine Man Denver (in the aggregate, “Medicine Man Denver”), owners of several licensed dispensaries and a cultivation facility in the Denver, Colorado metro area. But for the termination on August 14, 2020, the Medicine Man Denver term sheet would have expired on August 31, 2020.

### Note Receivable

On August 1, 2020, the Company entered into a Settlement Agreement and Mutual Release (“Settlement Agreement”) with MedPharm Holdings, Inc. The Parties agreed that the amount of the settlement is \$767,695 in principal and \$47,161 in accrued interest, thru July 31, 2020. The Company received a \$100,000 payment from MedPharm, which was to be paid by August 1, 2020. In addition to the immediate \$100,000 principal payment, Andrew Williams, a member of the MedPharm Board of Directors, will deliver and transfer to Schwazze 175,000 shares of Schwazze common stock as equity consideration by August 15, 2020 at a price of \$1.90 per share. The remaining outstanding receivable will be paid out in bi-weekly installments of product by scheduled deliveries through March 31, 2021.

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

Certain statements in Management's Discussion and Analysis or MD&A, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in "Risk Factors" in our Annual Report on Form 10-K for the Year Ended December 31, 2019. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

### **Overview**

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

We commenced our business on May 1, 2014 and currently generate revenues derived from licensing agreements with cannabis related entities, as well as sponsoring seminars offered to the cannabis industry and other business endeavors related to our core competencies. As of the date of this report we have or have had 45 fee generating clients in 14 different states. In addition, we operate a division that sells grower supplies and a plant nutrient product line.

### **Recent Developments**

In 2019, due to the changes in Colorado law permitting outside investment, we made a strategic decision to move toward direct plant-touching operations. Following that decision by our executive leadership, we issued binding term sheets to several Colorado acquisition targets across the value chain. We believe that these targets are high quality, and our successful acquisition of these potential targets would allow us to become one of the largest vertically integrated seed-to-sale operators in the United States cannabis industry. These term sheets were announced in several Current Reports on Form 8-K during 2019. If successfully completed, the Company, post-transactions, will be able to offer retail, cultivation and extraction services. We believe that the current company combined with the acquisition targets in our Colorado "roll-up" strategy will have the potential to create a vertically integrated company, which would further enjoy a competitive advantage operating in the Colorado market against incumbent operators. In addition to the contemplated business-integration benefits, we believe the sharing of best practices amongst the Company and the acquisition targets will allow for improved operations, revenue enhancements and increased profitability. Scale may also afford the ability to create an integrated back office system, providing a differentiated technology backbone to support our operations and enhance our overall management and operating capabilities. There can be no assurance that any of the proposed acquisitions will be consummated.

On April 20, 2020 the company completed its first acquisition of a Colorado plant touching entity, acquiring Mesa Organics LTD and its subsidiaries. These four entities include a Manufacturing Infusing Products. (MIP) facility and four dispensaries. All are located in Southeastern Colorado. These acquisitions are included in our Products segment reporting.

## RESULTS OF OPERATIONS

### *Comparison of Results of Operations for the three months ended June 30, 2020 and 2019*

During the three months ended June 30, 2020, the Company generated revenues of \$5,424,329 including (i) product sales of \$4,838,654, (ii) consulting and licensing fees of \$585,675, and (iii) other operating revenues of \$0 as compared with the three months ended June 30, 2019, where the Company generated revenues of \$1,757,819 including (i) product sales of \$1,331,979, (ii) consulting and licensing fees of \$422,596, and (iii) other operating revenues of \$3,244. Revenue for the three months ended June 30, 2020 increased by \$3,666,510, or approximately 208.6%, over the three months ended June 30, 2019. The three-month ended increase in revenue was primarily driven by the product sales acquired from Mesa and Mesa Organics DBA Purplebee's ("Purplebee's") manufactured infused product facility ("MIP").

Cost of goods and services, consisting of expenses related to delivery of services and product procurement, was \$3,106,686 during the three months ended June 30, 2020, compared to \$1,086,413 during the comparable period in 2019. This increase was due to increased sales of products from historical business and the addition of the newly acquired dispensaries and MIP.

Operating expenses during the three months ended June 30, 2020, were \$8,667,604, compared to operating expenses of \$9,014,276 incurred during the three months ended June 30, 2019, a decrease of \$346,672. The decrease during the three-month period ended June 30, 2020 was primarily attributable to increased corporate infrastructure costs and stock-based compensation offset by the absence of derivative expense.

As a result, we generated a net loss of \$6,595,707 during the three months ended June 30, 2020 (or a loss of approximately \$0.16 per share), compared to net loss of \$8,822,650 (or a loss of approximately \$0.30 per share) during the three months ended June 30, 2019.

### *Comparison of Results of Operations for the six months ended June 30, 2020 and 2019*

During the six months ended June 30, 2020, we generated revenues of \$8,627,463 including (i) product sales of \$7,367,585, (ii) consulting and licensing fees of \$1,246,932, and (iii) other operating revenues of \$12,946 as compared with the six months ended June 30, 2019, where we generated revenues of \$3,761,295 including (i) product sales of \$2,876,279, (ii) consulting and licensing fees of \$876,265, and (iii) other operating revenues of \$8,751. Revenue for the six months ended June 30, 2020 increased by \$4,866,168, or approximately 129.4%, over the six months ended June 30, 2019. The six-month ended increase in revenue was primarily driven by the product sales acquired from Mesa and Purplebee's MIP.

Cost of goods and services, consisting of expenses related to delivery of services and product procurement, was \$5,255,221 during the six months ended June 30, 2020, compared to \$2,685,125 during the comparable period in 2019. This increase was due to increased sales of products from historical business and the addition of the newly acquired dispensaries and MIP.

Operating expenses during the six months ended June 30, 2020, were \$13,833,278, compared to operating expenses of \$11,647,067 incurred during the six months ended June 30, 2019, an increase of \$2,186,211. The increase during the six-month period ended June 30, 2020 was primarily attributable to increased corporate infrastructure costs and stock-based compensation offset by the absence of derivative expense.

As a result, we generated a net loss of \$7,975,017 during the six months ended June 30, 2020 (or a loss of approximately \$0.20 per share), compared to net loss of \$11,734,468 (or a loss of approximately \$0.40 per share) during the six months ended June 30, 2019.

## LIQUIDITY AND CAPITAL RESOURCES

### *Comparison of the liquidity and capital resources at June 30, 2020 and June 30, 2019*

The Company had \$5,418,317 and \$4,347,495 in cash on hand at June 30, 2020 and June 30, 2019, respectively. The \$1,070,822 change in cash on hand was due to the following cash flow activities.

Net cash used in operating activities was \$4,054,088 during the six-month period ended June 30, 2020, compared to cash used from operating activities of \$733,348 for the similar period in 2019, an increase of \$3,320,740.

Cash flows used for investing activities was \$3,253,675 during the six-month period ended June 30, 2020, compared to cash used of \$242,670 for the similar period in 2019. \$2,609,500 of the cash was used in the acquisition of Mesa.

Cash flows from financing activities was \$374,500 during the six-month period ended June 30, 2020, compared to \$5,001,725 for the similar period in 2019. The Company received proceeds of \$4,400,000 from the private sale of our common stock during the six months ended June 30, 2019. The Company received \$375,000 in proceeds in connection with the exercise of common stock purchase warrants and stock and returned \$500 in connection with cancellation of common stock during the six-month period ended June 30, 2020.

### *Comparison of the liquidity and capital resources at June 30, 2020 and December 31, 2019*

The Company had \$5,418,317 and \$11,853,627 in cash on hand at June 30, 2020 and December 31, 2019, respectively. The \$6,435,310 change in cash on hand was due to the following cash flow activities.

Net cash used in operating activities was \$4,054,088 during the six-month period ended June 30, 2020, compared to cash used from operating activities of \$7,553,965 during the year ended December 31, 2019, a decrease of \$3,499,876.

Cash flows used for investing activities was \$3,253,675 during the six-month period ended June 30, 2020, compared to cash used of \$1,116,756 during the year ended December 31, 2019, an increase of \$2,136,919. \$2,609,500 of the cash was used in the acquisition of Mesa.

Cash flows from financing activities was \$374,500 during the six-month period ended June 30, 2020, compared to \$20,202,560 for the year ended December 31, 2019. The Company received \$375,000 in proceeds in connection with the exercise of common stock purchase warrants and stock and returned \$500 in connection with cancellation of common stock during the six-month period ended June 30, 2020. The Company received proceeds of \$19,600,000 from the private sale of our common stock during the year ended December 31, 2019.

The Company anticipates it will need additional funds for the Star Buds acquisition and working capital and are exploring capital raising transactions in the form of equity and debt. We believe we will close the Star Buds acquisitions in the last half of 2020. However, upon successfully completion of the Star Buds acquisitions, we believe we will generate positive cash flow from operations, and we expect that we will not need to raise additional capital to execute the ongoing business operations. This is because the revenue generated from the fully integrated acquisitions will be sufficient to allow us to implement the current business operations.

However, if we do not generate positive cash flow, or we identify an acquisition which we believe will significantly impact our business operations in a positive manner, or unforeseen developments occur, we may need to raise additional capital, either debt, equity or both. At this time, we are unable to state how much capital we will need. As of the date of this Report we have no commitment from any investor or investment-banking firm to provide us with any funding and there can be no assurances we will obtain such funding in the future. We have, and will continue to, explore sources of financing to fund our business operations and acquisition strategy. Failure to obtain this additional financing may have a material negative impact on our ability to generate profits on a regular basis in the future.

### ***Inflation***

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the three-month period ended June 30, 2020.

### ***Off-Balance Sheet Arrangements***

We had no off-balance sheet arrangements as of June 30, 2020 and December 31, 2019.

### ***Contractual Obligations***

There were no substantial contractual obligations as of June 30, 2020 and December 31, 2019.

### ***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, 2019 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 report, 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 Commission'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 last quarterly period covered by this report that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. *Legal Proceedings.*

On June 7, 2019, we filed a complaint against ACC Industries Inc. and Building Management Company B, L.L.C., in Clark County, Nevada, for, amongst other causes of action, breach of contract. 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. Arbitration has been set for November 2, 2020. Medicine Man Technologies 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, MMT filed a motion to amend the complaint to add new claims and the related entity as a party. The hearing on the motion to amend is set for the week of August 10th after which MMT will file a motion to compel arbitration. The state court has been moving slowly such that the arbitration may get pushed back a few months.

On July 6, 2018, we filed a complaint in the Eighth Judicial Court, Clark County, Nevada against Vegas Valley Growers (“VVG”). Within the complaint, the Company alleges the breach by VVG of the Technologies License Agreement dated April 27, 2017 as entered into 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. In March 2020, VVG filed its opening appeal brief. The Company’s response brief is due on May 15, 2020. After VVG filed its opening brief in March 2020, MMT filed a Motion to Strike portions of the brief and record. Because a successful ruling on the motion may strike portions of the brief or require VVG to refile it, MMT asked for an extension on the filing its answering brief until the court renders its decision, which VVG did not oppose. MMT will have 30 days to file its answering brief once the court enters an order on the Motion to Strike or 30 days from when VVG files an amended opening brief and record.

On March 6, 2020, the Company’s former Chief Operating Officer, Joe Puglise, issued an arbitration demand against the Company claiming breach of contract. While the Company believes it has meritorious defenses against the claim, the ultimate resolution of the matter, which is expected to occur within one year, could result in a loss of up to \$3.5 million. The parties agreed to two of the three arbitrators. The third arbitrator, to be decided on by the agreed upon arbitrators, has not yet been identified.

### Item 1A. *Risk Factors*

In addition to the risk factors identified below, also refer to the risk factors applicable to us identified in the Annual Report on Form 10-K for the period ended December 31, 2019 filed with the Securities and Exchange Commission on March 30, 2020.

#### **Risks Related to Our Industry**

***Businesses involved in the cannabis industry, and investments in such businesses, are subject to a variety of laws and regulations related to money laundering, financial recordkeeping and proceeds of crimes.***

Investments in the U.S. cannabis industry are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the BSA, as amended by the Patriot Act, other anti-money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States. In February 2014, the Financial Crimes Enforcement Network (“FinCEN”) of the Treasury Department issued a memorandum (the “FinCEN Memo”) providing guidance to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo outlines circumstances under which banks may provide services to cannabis-related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of U.S. money laundering offenses predicated on cannabis-related violations of the federal Controlled Substances Act and outlines extensive due diligence and reporting requirements, which most banks have viewed as onerous. The FinCEN Memo currently remains in place, but it is unclear at this time whether the current administration will continue to follow the guidelines of the FinCEN Memo. Such requirements could negatively affect our ability and the ability of our clients to establish and maintain banking connections.



***We may be unable to protect our intellectual property rights.***

Because the manufacture (growth), sale, possession and use of cannabis is illegal under federal law, cannabis-related businesses may have restricted intellectual property rights particularly with respect to obtaining trademarks and enforcing patents. If we are unable to register, or maintain, our trademarks or file for or enforce patents on any of our inventions, such an inability could materially affect our ability to protect our name and proprietary technologies. In addition, cannabis businesses may face court action by third parties under the Racketeer Influenced and Corrupt Organizations Act (“RICO”). Our intellectual property rights could be impaired as a result of our cannabis-related business, and we could be named as a defendant in an action asserting a RICO violation.

***We may be unable to seek the protection of the bankruptcy courts.***

There is an argument that the federal bankruptcy courts cannot provide relief for parties who engage in cannabis or cannabis-related businesses. Recent bankruptcy rulings have denied bankruptcies for cannabis dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute cannabis assets as such action would violate the federal Controlled Substances Act. Therefore, due to our cannabis-related business, we may not be able to seek the protection of the bankruptcy courts and this could materially affect our financial performance and/or our ability to obtain or maintain credit.

***We are unable to deduct all of our business expenses.***

Section 280E of the Internal Revenue Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing us to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of nondeductible expenses is to its total revenues. Therefore, our cannabis business may be less profitable than it could otherwise be.

**Risks Related to our Common Stock**

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

While there is a market for our Common Stock, our price volatility in the future will be particularly volatile when compared to the shares of larger, more established companies that trade on a national securities exchange and have large public floats. The volatility in our share price will be attributable to a number of factors. First, our Common Stock will be, compared to the shares of such larger, more established companies, sporadically and thinly traded. As a consequence of this limited liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could decline precipitously in the event that a large number of shares of our Common Stock are sold on the market without commensurate demand. Secondly, we are a speculative or “risky” investment due to our limited operating history and lack of profits to date and uncertainty of future market acceptance for our potential products. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a larger, more established company that trades on a national securities exchange and has a large public float. Many of these factors are beyond our control and may decrease the market price of our Common Stock, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our Common Stock will be at any time.

***Financial Industry Regulatory Authority (“FINRA”) sales practice requirements may also limit a stockholder’s ability to buy and sell our Common Stock, which could depress the price of our Common Stock.***

FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that the investment is suitable for that customer before recommending an investment to a customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may limit your ability to buy and sell our shares of Common Stock, have an adverse effect on the market for our shares of Common Stock, and thereby depress the price per share of Common Stock.

***Our future results may vary significantly which may adversely affect the price of our Common Stock.***

It is possible that our quarterly revenues and operating results may vary significantly in the future and that period-to-period comparisons of our revenues and operating results are not necessarily meaningful indicators of the future. You should not rely on the results of one quarter as an indication of our future performance. It is also possible that in some future quarters, our revenues and operating results will fall below our expectations or the expectations of market analysts and investors. If we do not meet these expectations, the price of our Common Stock may decline significantly.

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

None.

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

None.

**Item 5. *Other Information***

On August 14, 2020 the Company terminated the term sheet with FutureVision 2020, LLC and FutureVision Ltd., Inc. dba Medicine Man Denver (in the aggregate, “Medicine Man Denver”), owners of several licensed dispensaries and a cultivation facility in the Denver, Colorado metro area. But for the termination on August 14, 2020, the Medicine Man Denver term sheet would have expired on August 31, 2020.

**Item 6. Exhibits**

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

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

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

101.INS XBRL Instance Document

101.SCH XBRL Schema Document

101.CAL XBRL Calculation Linkbase Document

101.DEF XBRL Definition Linkbase Document

101.LAB XBRL Label Linkbase Document

101.PRE XBRL Presentation Linkbase Document

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\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURES

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

Dated: August 14, 2020

**MEDICINE MAN TECHNOLOGIES, INC.**

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

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

**CERTIFICATION PURSUANT TO  
18 USC, SECTION 1350,  
AS ADOPTED 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 14, 2020

/s/ Justin Dye  
Justin Dye, Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 USC, SECTION 1350,  
AS ADOPTED 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 14, 2020

/s/ Nancy Huber  
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Nancy Huber, Chief Financial Officer

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

In connection with this quarterly report of Medicine Man Technologies, Inc. (the "Company") on Form 10-Q for the fiscal period ended June 30, 2020, 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 14, 2020

/s/ Justin Dye

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Justin Dye, Chief Executive Officer

Dated: August 14, 2020

/s/ Nancy Huber

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Nancy Huber, Chief Financial Officer