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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2023

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

Commission File Number **000-55450**

MEDICINE MAN TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

As of May 1, 2023, the Registrant had 55,561,244 shares of Common Stock outstanding.

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), adopted pursuant to the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon our good faith 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," "strategy," "anticipate," "believe," "approximately," "estimate," "predict," "project," "potential," "continue," "ongoing," or the negative of these terms or other words of similar meaning in connection with a discussion of future events or future operating or financial performance, although the absence of these words does not necessarily mean that a statement is not forward-looking.

In particular, such statements include those relating to, among other things, (i) regulatory limitations on our products and services and the uncertainty in the application of federal, state, and local laws to our business, and any changes in such laws; (ii) our ability to manufacture our products and product candidates on a commercial scale on our own or in collaboration with third parties; (iii) our ability to identify, consummate, and integrate anticipated acquisitions; (iv) effects of general industry and economic conditions; (v) the sufficiency of our liquidity and capital resources and our ability to access adequate capital upon terms and conditions that are acceptable to us; (vi) our ability to pay interest and principal on outstanding debt when due; and (vii) possible changes in laws or regulations.

This information may involve known and unknown risks, uncertainties and other factors which may cause actual events or our actual results, performance or achievements to be materially different from the future events, results, performance or achievements expressed or implied by any forward-looking statements. Factors and risks that may cause or contribute to actual events, results, performance, or achievements differing from these forward-looking statements include, but are not limited to, for example:

- regulatory limitations on our products and services;
- our ability to identify, consummate, and integrate anticipated acquisitions;
- general industry and economic conditions;
- our ability to access adequate capital upon terms and conditions that are acceptable to us;
- our ability to pay interest and principal on outstanding debt when due;
- volatility in credit and market conditions; and
- other risks and uncertainties related to the cannabis market and our business strategy, including those factors described elsewhere in this Report and our Annual Report on Form 10-K for the year ended December 31, 2022 or described from time to time in our other reports filed with the SEC

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties, and other factors, including those factors described elsewhere in this Report and our Annual Report on Form 10-K for the year ended December 31, 2022 or described from time to time in our other reports filed with the Securities and Exchange Commission. 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. There can be no assurance that future events, results, performance or achievements will be in accordance with our expectations or that the effect of future events, results, performance or achievements will be those anticipated by us.

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. 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 cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. You are cautioned not to place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report 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 Report.

All forward-looking statements speak only as of the date of this Report. 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. *Condensed Financial Statements*

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 35,166,629	$ 38,949,253
Accounts receivable, net of allowance for doubtful accounts	4,590,159	4,471,978
Inventory	25,577,433	22,554,182
Note receivable - current, net	—	11,944
Marketable securities, net of unrealized gain of $1,816 and loss of $39,270, respectively	456,099	454,283
Prepaid expenses and other current assets	8,330,194	5,293,393
Total current assets	74,120,514	71,735,033
Non-current assets		
Fixed assets, net accumulated depreciation of $5,880,513 and $4,899,977, respectively	29,332,369	27,089,026
Investments	2,000,000	2,000,000
Goodwill	64,479,817	94,605,301
Intangible assets, net accumulated amortization of $21,461,721 and $16,290,862, respectively	132,370,859	107,726,718
Note receivable – noncurrent, net	1,313	—
Deferred tax assets, net	135,155	—
Other noncurrent assets	1,166,582	1,527,256
Operating lease right of use assets	19,783,067	18,199,399
Total non-current assets	249,269,162	251,147,700
Total assets	$ 323,389,676	$ 322,882,733
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 4,258,510	$ 7,848,613
Accounts payable - related party	48,276	22,380
Accrued expenses	10,414,494	10,314,958
Derivative liabilities	8,006,568	16,508,253
Lease liabilities - current	3,648,395	3,139,289
Current portion of long term debt	3,000,000	2,250,000
Income taxes payable	12,597,218	7,297,815
Total current liabilities	41,973,461	47,381,308
Long term debt, net of debt discount and issuance costs	128,184,150	125,521,520
Lease liabilities	19,108,720	17,314,464
Deferred income taxes, net	—	502,070
Total long-term liabilities	147,292,870	143,338,054
Total liabilities	189,266,331	190,719,362
Stockholders' equity		
Preferred stock, $0.001 par value. 10,000,000 shares authorized; 86,994 shares issued as of March 31, 2023 and 86,994 shares issued as of December 31, 2022, 86,994 outstanding at March 31, 2023 and 86,994 outstanding at December 31, 2022.	87	87
Common stock, $0.001 par value. 250,000,000 shares authorized; 56,352,545 shares issued and 55,212,547 shares outstanding as of March 31, 2023 and 56,352,545 shares issued and 55,212,547 shares outstanding as of December 31, 2022.	56,353	56,353
Additional paid-in capital	180,596,185	180,381,641
Accumulated deficit	(44,496,153)	(46,241,583)
Common stock held in treasury, at cost, 920,150 shares held as of March 31, 2023 and 920,150 shares held as of December 31, 2022	(2,033,127)	(2,033,127)
Total stockholders' equity	**134,123,345**	**132,163,371**
Total liabilities and stockholders' equity	**$ 323,389,676**	**$ 322,882,733**

See accompanying notes to the condensed consolidated financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND (LOSS)
For the Periods Ended March 31, 2023 and 2022

	For the Three Months Ended March 31,	
	2023 (Unaudited)	**2022** (Unaudited)
Operating revenues		
Retail	$ 35,820,111	$ 26,525,716
Wholesale	4,058,925	5,207,388
Other	121,900	44,450
Total revenue	40,000,936	31,777,554
Total cost of goods and services	16,968,270	20,840,051
Gross profit	23,032,666	10,937,503
Operating expenses		
Selling, general and administrative expenses	10,215,805	6,855,711
Professional services	1,187,364	2,584,472
Salaries	5,764,993	5,296,777
Stock based compensation	214,544	991,083
Total operating expenses	17,382,706	15,728,043
Income from operations	5,649,960	(4,790,540)
Other income (expense)		
Interest expense, net	(7,745,854)	(7,302,254)
Unrealized gain (loss) on derivative liabilities	8,501,685	(13,417,472)
Other loss	—	7
Unrealized gain (loss) on investments	1,816	(8,549)
Total other income (expense)	757,647	(20,728,268)
Pre-tax net income (loss)	6,407,607	(25,518,808)
Provision for income taxes	4,662,178	1,259,894
Net income (loss)	$ 1,745,429	$ (26,778,702)
Less: Accumulated preferred stock dividends for the period	(2,029,394)	(1,743,444)
Net income (loss) attributable to common stockholders	$ (283,965)	$ (28,522,146)
Earnings (loss) per share attributable to common shareholders		
Basic (loss) earnings per share	$ (0.01)	$ (0.61)
Diluted (loss) earnings per share	$ (0.06)	$ (0.61)
Weighted average number of shares outstanding - basic	55,835,501	46,841,971
Weighted average number of shares outstanding - diluted	101,608,278	46,841,971
Comprehensive income (loss)	$ 1,745,429	$ (26,778,702)

See accompanying notes to the condensed consolidated financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2023 and 2022

	Preferred Stock		Common Stock		Additional Paid in	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Shares	Cost	Equity
Balance, December 31, 2021	86,994	$ 87	45,484,314	$ 45,485	$ 162,815,097	$ (27,773,968)	517,044	$ (1,517,036)	$ 133,569,665
Net income (loss)	—	—	—	—	—	(26,778,702)	—	—	(26,778,702)
Issuance of stock as payment for acquisitions	—	—	8,029,330	8,029	13,191,971	—	—	—	13,200,000
Issuance of common stock as compensation to employees, officers and/or directors	—	—	—	—	—	—	—	—	—
Issuance of preferred stock in connection with sales made under private or public offerings	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	—	—	—
Return of common stock	—	—	—	—	—	—	—	—	—
Stock based compensation expense related to common stock options	—	—	—	—	991,083	—	—	—	991,083
Balance, March 31, 2022	86,994	$ 87	53,513,644	$ 53,514	$ 176,998,151	$ (54,552,670)	517,044	$ (1,517,036)	$ 120,982,046

	Preferred Stock		Common Stock		Additional Paid in	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Value	Shares	Value	Capital	Deficit	Shares	Cost	Equity
Balance, December 31, 2022	86,994	$ 87	56,352,545	$ 56,353	$ 180,381,641	$ (46,241,583)	920,150	$ (2,033,127)	$ 132,163,371
Net income (loss)	—	—	—	—	—	1,745,429	—	—	1,745,429
Issuance of stock as payment for acquisitions	—	—	—	—	—	—	—	—	—
Issuance of common stock as compensation to employees, officers and/or directors	—	—	—	—	—	—	—	—	—
Return of common stock	—	—	—	—	—	—	—	—	—
Stock based compensation expense related to common stock options	—	—	—	—	214,544	—	—	—	214,544
Balance, March 31, 2023	86,994	$ 87	56,352,545	$ 56,353	180,596,185	$ (44,496,153)	920,150	$ (2,033,127)	$ 134,123,345

See accompanying notes to the condensed consolidated financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended March 31, 2023 and 2022

	For the Three Months Ended March 31,	
	2023	**2022**
Cash flows from operating activities		
Net income (loss) for the period	1,745,429	(26,778,702)
Adjustments to reconcile net income (loss) to cash for operating activities		
Depreciation and amortization	6,151,395	2,540,796
Non-cash interest expense	991,184	1,203,333
Non-cash lease expense	2,251,459	1,079,913
Deferred taxes	(637,225)	—
Change in derivative liabilities	(8,501,685)	13,417,472
Amortization of debt issuance costs	421,513	421,512
Amortization of debt discount	1,999,933	1,756,173
(Gain) loss on investment, net	(1,816)	8,549
Stock based compensation	214,544	991,083
Changes in operating assets and liabilities (net of acquired amounts):		
Accounts receivable	(118,181)	(120,388)
Inventory	(3,023,251)	6,628,633
Prepaid expenses and other current assets	(3,036,801)	104,888
Other assets	360,674	(867,401)
Change in operating lease liability	(1,531,765)	(921,947)
Accounts payable and other liabilities	(3,464,671)	2,898,513
Income taxes payable	5,299,403	1,259,894
Net cash (used in) provided by operating activities	**(879,861)**	**3,622,321**
Cash flows from investing activities:		
Collection of notes receivable	10,631	—
Cash consideration for acquisition of business, net of cash acquired	—	(59,691,039)
Purchase of fixed assets	(2,913,394)	(2,643,404)
Net cash used in investing activities	**(2,902,763)**	**(62,334,443)**
Net (decrease) in cash and cash equivalents	(3,782,624)	(58,712,122)
Cash and cash equivalents at beginning of period	38,949,253	106,400,216
Cash and cash equivalents at end of period	**$ 35,166,629**	**$ 47,688,094**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,540,748	$ 4,722,639
Supplemental disclosure of non-cash investing and financing activities:		
Lease liability arising from right of use asset	$ 3,160,499	$ 5,921,148
Settling of note receivable for equipment	—	35,833
Issuance of debt for acquisition	—	17,000,000
Issuance of stock as payment for acquisitions	—	13,200,000

See accompanying notes to the condensed consolidated financial statements

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

1. Organization and Nature of Operations

Medicine Man Technologies, Inc. ("we," "us," "our" or the "Company") was incorporated in Nevada on March 20, 2014. On May 1, 2014, the Company entered into an exclusive Technology License Agreement with Futurevision, Inc. f/k/a Medicine Man Production Corp. d/b/a Medicine Man Denver ("Medicine Man Denver") whereby Medicine Man Denver granted us a license to use all of their proprietary processes they have developed, implemented and practiced at their cannabis facilities relating to the commercial growth, cultivation, marketing, and distribution of medical marijuana and recreational marijuana pursuant to relevant state laws and the right to use and to license such information, including trade secrets, skills and experience (present and future). The Company's operations are organized into three different segments as follows: (i) Retail, consisting of retail locations for sale of cannabis products in Colorado and New Mexico, (ii) Wholesale, consisting of manufacturing, cultivation and sale of wholesale cannabis and non-cannabis products, and (iii) Other, consisting of all other income and expenses, including those related to certain in-store marketing and promotional activities and corporate operations.

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. The Company's common stock is listed for trading in the United States on the OTCQX Best Market under the symbol "SHWZ" and also listed for trading in Canada on the NEO Exchange under the symbol "SHWZ."

The accompanying unaudited interim condensed 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 ("GAAP") have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These unaudited interim consolidated financial statements include all the adjustments, which in the opinion of management, are necessary to present a fair presentation of the Company's financial position and results of operations. All such adjustments are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2022, and 2021, as presented in the Company's Annual Report on Form 10-K filed on March 29, 2023 with the SEC. In accordance with ASC 230 *Statement of Cash Flows*, certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on the Company's net earnings and financial position.

2. Accounting Policies and Estimates

There have been no changes in the Company's accounting policies as described in Note 2, "Accounting Policies and Estimates," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

3. Recently Adopted Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. Pronouncements that are not applicable to the Company or where it has been determined to not have a significant impact on the financial statements have been excluded herein.

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 (ASU). 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. As of January

1, 2022, the Company adopted ASU 2016-02, Leases (Topic 842), the adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

On August 5, 2020, the FASB issued *ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

4. Notes Receivable

On March 12, 2021, the Company sold equipment to Colorado Cannabis Company LLC ("Colorado Cannabis"). Colorado Cannabis is obligated to pay $215,000, payable in equal monthly installments for 18 months commencing 30 days from the date of taking possession of the equipment pursuant to the Purchase and Sale Agreement, dated January 29, 2021, between the Company and Colorado Cannabis. As of March 31, 2023 and December 31, 2022, the outstanding balance, including penalties for late payments, on the receivable from Colorado Cannabis totaled $0 and $11,944, respectively.

5. Inventory

The Company's inventory consists of the following as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Raw Materials	$ 1,506,435	$ 2,325,482
Work in Process	16,215,540	14,504,490
Finished Goods	7,855,458	5,724,210
Total Inventories	$ 25,577,433	$ 22,554,182

As of March 31, 2023 and December 31, 2022, the Company did not recognize any adjustment to net realizable value within its inventory.

6. Property and Equipment

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

	March 31, 2023	December 31, 2022
Land	$ 3,716,438	$ 3,716,438
Building	4,830,976	4,830,976
Leasehold improvements	6,852,483	4,100,165
Furniture and fixtures	655,696	655,698
Vehicles, machinery, and tools	4,055,176	3,796,695
Software, servers and equipment	4,364,350	4,132,621
Construction in process	10,737,763	10,756,410
Total Asset Cost	**$ 35,212,882**	**$ 31,989,003**
Less: Accumulated depreciation	(5,880,513)	(4,899,977)
Total property and equipment, net of depreciation	**$ 29,332,369**	**$ 27,089,026**

Construction in process represents construction in progress related to both cultivation and dispensary facilities not yet completed or otherwise not ready for use.

Depreciation expense for the three months ended March 31, 2023 and 2022 was $980,536 and $401,949, respectively.

7. Business Combinations

On January 26, 2022, the Company acquired two retail dispensaries located in Boulder Colorado pursuant to an asset purchase agreement dated June 25, 2021 with Double Brow, BG3 Investments, LLC d/b/a Drift ("Drift"), Black Box Licensing, LLC, and Brian Searchinger, as the sole equityholder of Drift, as amended on October 28, 2021 (the "Drift Purchase Agreement"). The acquired assets included (i) the assets used in or related to Drift's business of distributing, marketing, and selling recreational cannabis products and (ii) the leases for two retail dispensaries located in Boulder, Colorado. The aggregate closing consideration for the acquisition was (i) $1.92 million in cash, and (ii) 1,146,099 shares of Common Stock issued to Drift. The Company utilized purchase price accounting to value assets acquired, which values such assets at approximately fair market value. The purchase price accounting resulted in $2,138,270 of goodwill and $1,030,000 of intangibles. Amortization of $189,278 was recorded at March 31, 2023, to selling, general and administrative expenses.

On February 8, 2022, the Company acquired its New Mexico business pursuant to a purchase agreement with Nuevo Holding, LLC, a wholly-owned subsidiary of the Company ("Nuevo Purchaser"), Nuevo Elemental Holding, LLC ("Elemental Purchaser" and together with Nuevo Purchaser, the "Nuevo Purchasers"), Reynold Greenleaf & Associates LLC ("RGA"), Elemental Kitchen and Laboratories, LLC, a wholly-owned subsidiary of RGA ("Elemental"), the equity holders of RGA and Elemental, and William N. Ford, in his capacity as Representative, as amended on February 9, 2022 (the "Nuevo Purchase Agreement"). The Nuevo Purchasers acquired substantially all the operating assets of RGA and all of the equity of Elemental and assumed specified liabilities of RGA and Elemental. Pursuant to existing laws and regulations in New Mexico, the cannabis licenses for certain facilities managed by RGA were held by two not-for-profit entities: Medzen Services, Inc. ("Medzen") and R. Greenleaf Organics, Inc. ("R. Greenleaf" and together with Medzen, the "NFPs"). At the closing, Nuevo Purchaser gained control over the NFPs by becoming the sole member of each of the NFPs and replacing the directors of the two NFPs with executive officers of the Company. The business acquired from RGA was a management company, providing branding, marketing and consulting services, licensing certain intellectual property related to the business, and supporting Elemental and the NFPs to promote, support, and develop sales and distribution of products. Elemental is engaged in the business of creating and distributing cannabis-derived products to licensed cannabis producers. Elemental and the NFPs are in the business of cultivating, processing and dispensing marijuana in New Mexico. At the closing of the Nuevo Purchase Agreement, Nuevo Purchaser entered into two separate Call Option Agreements containing substantially identical terms with each of the NFPs. Each Call Option Agreement gives Nuevo Purchaser the right to acquire 100% of the equity or 100% of the assets of the applicable NFP for a purchase price of $100 if, in the future, the New Mexico legislature adopts legislation that permits a NFP to (i) convert to a for-profit corporation and maintain its cannabis license or (ii) sell its assets (including its cannabis license) to a for-profit corporation. The aggregate closing consideration for the acquisitions was approximately (i) $32.2 million in cash, which included a $4.5 million cash earnout based on EBITDA of the acquired businesses for the calendar year 2021, and (ii) $17.0 million in the form of an unsecured promissory note issued by Nuevo Purchaser to RGA, the principal amount of which is payable on February 8, 2025 with interest payable monthly at an annual interest rate of 5% (the "Nuevo Note"). The Company utilized purchase price accounting to value assets acquired, which values such assets at approximately fair market value. The purchase price accounting resulted in $6,196,571 of goodwill and $28,785,000 of intangibles. Amortization of $885,792 and $1,645,684 was recorded at March 31, 2023, to cost of goods and services, and selling, general and administrative expenses, respectively.

On February 9, 2022, the Company acquired MCG, LLC ("MCG"), which operates two dispensaries located in Denver and Manitou Springs, Colorado pursuant to the terms of an Agreement and Plan of Merger, dated November 15, 2021, with Emerald Fields Merger Sub, LLC, a wholly-owned subsidiary of the Company ("Emerald Fields"), MCG, MCG's owners and Donald Douglas Burkhalter and James Gulbrandsen in their capacity as the Member Representatives, as amended on February 9, 2022 (the "MCG Merger Agreement"). Under the MCG Merger Agreement, MCG merged with and into Emerald Fields, with Emerald Fields continuing as the surviving entity. The aggregate closing consideration for the merger was $29 million, consisting of: (i) $16.0 million in cash; (ii) 6,547,239 shares of the Common Stock issued to the members of MCG; and (iii) an aggregate of $2.32 million was held back as collateral for potential claims for indemnification under the MCG Merger Agreement. The Company utilized purchase price accounting to value assets acquired, which values such assets at approximately fair market value. The purchase price accounting resulted in $19,852,080 of goodwill and $12,400,000 of intangibles.

On February 15, 2022, the Company acquired substantially all of the operating assets of Brow 2, LLC ("Brow") related to its indoor cannabis cultivation operations located in Denver, Colorado (other than assets expressly excluded) and assumed certain liabilities for contracts acquired pursuant to the terms of the Asset Purchase Agreement, dated August 20, 2021, among Double Brow, Brow, and Brian Welsh, as the owner of Brow (the "Brow Purchase Agreement"). The acquired assets included a 37,000 square foot building, the associated lease, and equipment designed for indoor cultivation. After purchase price adjustments for pre-closing inventory, the aggregate consideration was $6.7 million, of which Double Brow paid $6.2 million at closing and held back $500,000 as collateral for potential claims for indemnification under the Brow Purchase Agreement. The Company utilized purchase price accounting to value assets acquired, which values such assets at approximately fair market value. The purchase price accounting resulted in $1,792,000 of goodwill and $3,970,000 of intangibles.

On May 31, 2022, the Company acquired substantially all of the operating assets of Urban Dispensary, which operates a dispensary and indoor cultivation in Colorado, pursuant to the terms of an Asset and Personal Goodwill Purchase Agreement, dated March 11, 2022, with Double Brow, Urban Health & Wellness, Inc. d/b/a Urban Dispensary ("Urban Dispensary"), Productive Investments, LLC, and Patrick Johnson (the "Urban Purchase Agreement"). Urban Dispensary operated an indoor cannabis cultivation facility and a single retail dispensary, each located in Denver, Colorado. The aggregate consideration for the Urban Dispensary acquisition was $1.32 million in cash and 1,230,534 shares of Common Stock. The Company held back $288,000 of the stock consideration at closing as collateral for potential claims for indemnification from Urban Dispensary under the Urban Purchase Agreement. The Company utilized purchase price accounting to value assets acquired, which values such assets at approximately fair market value. The purchase price accounting resulted in $2,849,868 of goodwill and intangibles, however valuation has not been finalized.

On December 15, 2022, the Company acquired substantially all of the operating assets associated with two retail dispensaries located in Denver and Aurora, Colorado owned by Lightshade Labs LLC ("Lightshade") pursuant to the terms of two Asset Purchase Agreements, dated September 9, 2022, among Double Brow, the Company, Lightshade, and Lightshade's owners, Thomas Van Alsburg, Steve Brooks, and John Fritzel, as amended on December 15, 2021 (the "Lightshade Purchase Agreements"). After purchase price adjustments for transaction and related expenses, the aggregate consideration for the acquisition was approximately $2.75 million, all of which was paid in cash. The Company deposited $300,000 of the purchase price in escrow as collateral for potential claims for indemnification from Lightshade under the Lightshade Purchase Agreements. The Company utilized purchase price accounting to value assets acquired, which values such assets at approximately fair market value. The purchase price accounting resulted in $2,589,865 of goodwill and intangibles, however valuation has not been finalized.

As of March 31, 2023, the Company acquired cannabis assets of Drift, RGA, MCG, Brow, Urban Dispensary, Lightshade, and 100% of the equity of Elemental as discussed above.

These transactions were accounted for as a business combination in accordance with ASC 805, *Business Combinations* ("ASC 805") in the period acquired. Refer to the Company's business combination note as described in Note 7, "Business Combinations," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The goodwill, which is not expected to be deductible for income tax purposes, consists largely of the synergies, assembled workforce and economies of scale expected from combining the operations of the acquired entities with the Company.

8. Goodwill Accounting

The Company accounts for acquisitions in which it obtains control of one or more businesses as a business combination. The purchase price of the acquired businesses is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over those fair values is recognized as goodwill. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments, in the period in which they are determined, to the assets acquired and liabilities assumed with the corresponding offset to goodwill. If the assets acquired are not a business, the Company accounts for the transaction or other event as an asset acquisition. Under both methods, the Company recognizes the identifiable assets

acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity. In addition, for transactions that are business combinations, the Company evaluates the existence of goodwill or a gain from a bargain purchase.

	Retail	Wholesale	Other	Total
Balance as of January 1, 2023	$ 52,583,794	$ 7,219,936	$ 34,801,571	$ 94,605,301
Goodwill acquired during Q1 2023	—	—	—	—
Measurement-period adjustment to prior year acquisition	2,192,958	2,483,129	(34,801,571)	(30,125,484)
Balance as of March 31, 2023	$ 54,776,752	9,703,065	$ —	$ 64,479,817

The Company performed its annual fair value assessment as of December 31, 2022 on its subsidiaries with material goodwill on their respective balance sheets and recognized a goodwill impairment charge of $ 11,719,306, of which $3,708,226 is presented under loss from business disposition in the accompanying consolidated statements of comprehensive income as it was related to ceased operations during 2022. No such impairment existed as of March 31, 2023. Impairment is recorded when the carrying values of the reporting units exceed the estimated fair value.

	Retail	Wholesale	Other	Total
Balance as of January 1, 2022	$ 26,349,025	$ 13,964,016	$ 3,003,226	$ 43,316,267
Goodwill acquired during Q1 2022	10,985,559	32,418,546	31,978,345	75,382,450
Measurement-period adjustment to prior year acquisition	—	—	—	—
Goodwill Impairment during 2022	—	—	—	—
Balance as of March 31, 2022	$ 37,334,584	46,382,562	$ 34,981,571	$ 118,698,717

9. Intangible Assets

Intangible assets as of March 31, 2023 and December 31, 2022 were comprised of the following:

	March 31, 2023		December 31, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
License Agreements	$ 139,088,280	$ (16,117,017)	$ 111,491,280	$ (12,154,237)
Tradename	7,541,500	(2,513,263)	6,021,500	(1,862,242)
Customer Relationships	5,150,000	(1,658,334)	5,150,000	(1,474,405)
Non-compete	1,963,000	(1,138,685)	1,265,000	(765,556)
Product License and Registration	57,300	(21,783)	57,300	(21,783)
Trade Secret	32,500	(12,639)	32,500	(12,639)
Total	$ 153,832,580	$ (21,461,721)	$ 124,017,580	$ (16,290,862)

Amortization expense was $5,170,859 and $2,138,847 for the three months ended March 31, 2023 and 2022, respectively.

The following table presents the Company's future projected annual amortization expense as of March 31, 2023:

Remainder of 2023	$ 10,574,128
2024	11,795,636
2025	11,502,223
2026	10,634,720
2027	10,125,611
Thereafter	77,738,541
Total	$ 132,370,859

10. Derivative Liability

Investor Note

On December 3, 2021, the Company and its subsidiaries, as guarantors (the "Subsidiary Guarantors") entered into a Securities Purchase Agreement with 31 accredited investors (the "Note Investors") pursuant to which the Company agreed to issue and sell to the Note Investors 13% senior secured convertible notes due December 7, 2026 (the "Investor Notes") in an aggregate principal amount of $95,000,000 for an aggregate purchase price of $93,100,000 (reflecting an original issue discount of $1,900,000, or 2%) in a private placement. On December 7, 2021, the Company consummated the private placement and issued and sold the Investor Notes pursuant to the Indenture entered into among the Company, the Subsidiary Guarantors, Chicago Atlantic Admin, LLC, as collateral agent, and Ankura Trust Company, LLC, as trustee (as may be supplemented and/or amended from time to time, the "Indenture"). The Company received net proceeds of approximately $92,000,000 at the closing, after deducting a commission to the placement agent and estimated offering expenses associated with the private placement payable by the Company. The Investor Notes will mature five years after issuance unless earlier repurchased, redeemed, or converted pursuant to the Indenture. The Investor Notes bear interest at 13% per year paid quarterly commencing March 31, 2022 in cash for an amount equal to the amount payable on such date as if the Investor Notes were subject to an annual interest rate of 9%, with the remainder of the accrued interest payable as an increase to the principal amount of the Investor Notes.

A reconciliation of the beginning and ending balances of the derivative liabilities for the periods ended March 31, 2023 and December 31, 2022 were as follows:

Balance as of December 31, 2021	$	**34,923,013**
Loss on derivative liability		13,417,472
Balance as of March 31, 2022	$	**48,340,485**
Balance as of December 31, 2022	$	**16,508,253**
Gain on derivative liability		(8,501,685)
Balance as of March 31, 2023	$	**8,006,568**

The Company accounts for derivative instruments in accordance with the GAAP accounting guidance under ASC 815 *Derivatives and Hedging Activities*. In accordance with GAAP, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The Company utilizes a Monte Carlo simulation in determining the appropriate fair value. The derivative liability will ultimately be converted into the Company's equity when the Investor Notes are converted or will be extinguished on the repayment of the Investor Notes. The derivative liability will not result in the outlay of any additional cash by the Company. Upon initial recognition, the Company recorded a derivative liability and debt discount of $16,508,253 in relation to the derivative liability portion of the Investor Notes. The Company recorded $1,999,933 and $1,745,179 for the three months ended March 31, 2023, respectively, in amortization related to the debt discount.

11. Debt

Term Loan — On February 26, 2021, the Company entered into a Loan Agreement with SHWZ Altmore, LLC ("Altmore"), as lender, and GGG Partners LLC, as collateral agent. Upon execution of the Loan Agreement, the Company received $10,000,000 of loan proceeds. In connection with the Company's acquisition of Southern Colorado Growers, the Company received an additional $5,000,000 of loan proceeds under the Loan Agreement. The term loan incurs 15% interest per annum, payable quarterly on March 1, June 1, September 1, and December 1 of each year. The Company will be required to make principal payments beginning on June 1, 2023 in the amount of $750,000, payable quarterly with the remainder of the principal due upon maturity on February 26, 2025.

Under the terms of the loan, the Company must comply with certain restrictions. These include customary events of default and various financial covenants including, maintaining (i) a consolidated fixed charge coverage ratio of at least 1.3 at the end of each fiscal quarter beginning in the first quarter of 2022, and (ii) a minimum of $3,000,000 in a deposit account in

which the lender has a security interest. As of March 31, 2023, the Company was in compliance with the requirements described above.

Seller Notes — As part of the acquisition of thirteen Star Buds branded dispensaries under separate asset purchase agreements (the "Star Buds Acquisition(s)"), the Company entered into a deferred payment arrangement with the Star Buds sellers in an aggregate amount of $44,250,000, also referred to in this Report as the "seller note(s)". The seller note incurs 12% interest per annum, payable on the first of every month through November 2025. Principal payments are due as follows: $13,901,759 on December 17, 2025, $3,474,519 on February 3, 2026, and $26,873,722 on March 2, 2026.

As part of the acquisition under the Nuevo Purchase Agreement, the company entered into a deferred payment arrangement with the sellers in an aggregate amount of $17,000,000. The deferred payment arrangement incurs 5% interest per year, payable on the first of each month. The principal is due February 7, 2025.

Investor Notes – On December 3, 2021, the Company and the Subsidiary Guarantors entered into a Securities Purchase Agreement with the Note Investors pursuant to which the Company agreed to issue and sell to the Note Investors Investor Notes in a private placement. On December 7, 2021, the Company consummated the private placement and issued and sold the Investor Notes pursuant to the Indenture. The Company received net proceeds of approximately $92,000,000 at the closing, after deducting a commission to the placement agent and estimated offering expenses associated with the private placement payable by the Company. The Investor Notes will mature five years after issuance unless earlier repurchased, redeemed, or converted. A holder of an Investor Note may convert all or any portion of the Investor Note into shares of Common Stock at any time until the close of business on the business day immediately preceding the maturity date of the Inventor Notes, at a conversion price equal to $2.24 per share ("Conversion Price"). The Conversion Price will be adjusted in the event of any change in the outstanding Common Stock by way of stock subdivision (including a stock split), stock combination, issuance of stock or cash dividends, distributions of other securities or assets and other corporate actions. The number of shares issuable upon conversion of the Investor Notes will be equal to the principal amount of the Investor Note plus accrued interest divided by the conversion price (the "Conversion Rate").

The Company may, at its option, elect to redeem all, but not less than all, of the Investor Notes for cash, subject to certain conditions, at a repurchase price equal to the principal amount of the Notes plus accrued and unpaid interest thereon on such date as more fully discussed in the agreement.

On the fourth anniversary of the issuance date, the investors will have the right, at their option, to require the Company to repurchase some or all their Notes for cash in an amount equal to the principal amount of the Investor Notes being repurchased plus accrued and unpaid interest up to the date of repurchase.

On or after the second anniversary of the issuance date, the Company may, at its option, convert up to 12.5% of the outstanding Investor Notes each quarter, if (i) the last reported sale price of the Common Stock exceeds 150% of the applicable Conversion Price, (ii) either (a) the Common Stock is listed on a Permitted Exchange (as defined in the Indenture) or (b) the Company's daily volume weighted average price for the Common Stock exceeds $2,500,000, in each case for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date of conversion for the Conversion Price plus accrued and unpaid interest and (iii) there is an effective registration statement covering the resale by the holders of the Investor Notes of all Common Stock to be received in such conversion. The Company will be required to pay a Make-Whole Premium (as defined in the Indenture), payable in cash or Common Stock, to the Investors if the Investor Notes are voluntarily converted before the third anniversary of the Issuance Date and the Company's daily volume weighted average price for the Common Stock does not exceed 175% of the Conversion Rate during the five consecutive trading days immediately preceding the date of conversion.

The notes have a contingent redemption feature that involves a substantial premium, requiring the same to be bifurcated as a derivative liability.

The Investor Notes bear interest at 13% per year paid quarterly commencing March 31, 2022 in cash for an amount equal to the amount payable on such date as if the Investor Notes were subject to an annual interest rate of 9%, with the remainder of the accrued interest payable as an increase to the principal amount of the Investor Notes. The proceeds from the Investor

Notes are required to be used to fund previously identified acquisitions and other growth initiatives. The principal is due December 7, 2026.

The Indenture includes customary affirmative and negative covenants, including limitations on liens, additional indebtedness, repurchases and redemptions of any equity interest in the Company or any Subsidiary Guarantor (as defined in the Indenture), certain investments, and dividends and other restricted payments, and customary events of default. Starting on December 7, 2022, the Company must maintain a Consolidated Fixed Charge Coverage Ratio (as defined in the Indenture) of no less than 1.30 to 1.00 as of the last day of each quarter, and the Company and the Subsidiary Guarantors are required to have at least $10,000,000 in cash (in aggregate) on the last day of each quarter in deposit accounts for which the collateral agent has a perfected security interest in. The Company and the Subsidiary Guarantors are restricted from making certain payments, including but not limited to (i) payment of dividends, (ii) repurchase, redemption, retire, or otherwise acquire any equity interest, option, or warrant of the Company or any Subsidiary Guarantor, and (iii) payment to any equity holder of the Company or a Subsidiary Guarantor for services provided pursuant to management, consulting, or other service agreement (the “Restricted Payments”) but the Company may declare and pay dividends if payable solely in its own equity, or, in the case of the Subsidiary Guarantors, amounts payable to such subsidiaries with respect to its applicable equity ownership. Provided the Company is not in default under the terms of the Indenture, the Company may make Restricted Payments not otherwise permitted thereunder (a) in an amount not to exceed $500,000 until discharge of the Indenture, or (b) after December 7, 2024, so long as the Company’s Consolidated Leverage Ratio (as defined in the Indenture) is between 1.00 and 2.25 for the applicable reference period at the time of the Restricted Payment after giving pro forma effect thereto.

The Indenture contains restrictions and limitations on the Company’s ability to incur additional debt and grant liens on its assets. The Company and its Subsidiary Guarantors are not permitted to incur additional debt or issue Disqualified Equity Interests (as defined in the Indenture) unless the Company’s Consolidated Leverage Ratio is between 1.00 and 2.25 after giving pro forma effect thereto. In addition, the Company is not permitted to grant a senior lien on its assets (excluding acquisition target assets that are identified in the Indenture) to secure indebtedness unless and until (a) at least $80,000,000 of the net proceeds from the Notes (plus the proceeds of certain sale-leaseback transactions) have been used to consummate Permitted Acquisitions prior to the granting of any such lien, and (b) the Consolidated Leverage Ratio for the applicable reference period, calculated on a pro forma basis giving effect to such acquisition and all related transactions, is less than 1.40 to 1.00. As of March 31, 2023, the Company expended approximately $81,780,000 of the proceeds from the Investor Notes on acquisitions. The Indenture provides that the Company and its Subsidiary Guarantors may incur debt under certain circumstances, including but not limited to, (i) debt incurred related to certain acquisitions and dispositions, including capital lease obligations and sale-leaseback transactions not to exceed $5,500,000 (plus up to an additional $2,200,000 in connection with certain transactions identified prior to the Issuance Date) in the aggregate at any time, (ii) certain transactions in the ordinary course of business, and (iii) any other unsecured debt not to exceed $1,000,000 at any time.

The following tables sets forth our indebtedness as of March 31, 2023 and December 31, 2022, respectively, and future obligations:

	March 31, 2023	December 31, 2022
Term loan dated February 26, 2021, in the original amount of $10,000,000. An additional $5,000,000 was added to the loan agreement on July 28, 2021. Interest of 15% per annum, due quarterly. Principal payments begin June 1, 2023.	$ 15,000,000	$ 15,000,000
Seller notes dated December 17, 2020 in the original amount of $44,250,000. Interest of 12% per annum, due monthly. Principal payments begin December 17, 2025.	44,250,000	44,250,000
Investor note dated December 3, 2021, in the original amount of $95,000,000. Interest of 13% per annum, 9% payable in cash and 4% accreting to the principal amount.	100,109,574	99,118,391
Nuevo note dated February 7, 2022 in the original amount of $17,000,000. Interest of 5% per annum, due monthly. Principal balance is due February 7, 2025.	17,000,000	17,000,000
Less: unamortized debt issuance costs	(6,182,181)	(6,603,695)
Less: unamortized debt discount	(38,993,243)	(40,993,176)
Total long term debt	131,184,150	127,771,520
Less: current portion of long term debt	(3,000,000)	(2,250,000)
Long term debt and unamortized debt issuance costs	$ 128,184,150	$ 125,521,520

	Principal Payments	Unamortized Debt Issuance Costs	Unamortized Debt Discount	Total Long Term Debt
2023	2,250,000	1,264,535	6,523,560	(5,538,095)
2024	3,000,000	1,686,049	9,734,935	(8,420,984)
2025	40,651,759	1,686,049	11,057,799	27,907,911
2026	130,457,815	1,545,548	11,676,949	117,235,318
2027	—	—	—	—
Thereafter	—	—	—	—
Total	$ 176,359,574	$ 6,182,181	$ 38,993,243	$ 131,184,150

12. 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, retail, cultivation, and manufacturing facilities. The Company elected to combine the lease and related non-lease components for its operating leases.

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

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

Balance Sheet Classification of Operating Lease Assets and Liabilities

	Balance Sheet Line	March 31, 2023
Asset		
Operating lease right of use assets	Noncurrent assets	$ 19,783,067
Liabilities		
Lease liabilities	Current Liabilities	$ 3,648,395
Lease liabilities	Noncurrent liabilities	19,108,720

Maturities of Lease Liabilities

Maturities of lease liabilities as of March 31, 2023 are as follows:

2023	$ 35,528,050
Less: Interest	12,250,813
Present value of lease liabilities	$ 23,277,237

The following table presents the Company's future minimum lease obligation under ASC 842 as of March 31, 2023:

2023	$ 4,730,948
2024	5,343,579
2025	4,976,285
2026	4,496,205
2027	3,215,732
Thereafter	12,765,301
Total	$ 35,528,050

13. Stockholders' Equity

The Company is authorized to issue two classes of stock, 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 ("Preferred Stock"). The preferred stock may be divided into such number or series as the Board may determine. The Board is authorized to determine and alter the rights, preferences, privileges, and restrictions granted and imposed upon any wholly unissued series of preferred stock, and to fix the number and designation of shares of any series of preferred stock. The Board, within limits and restrictions stated in any resolution of the Board, originally fixing the number of shares constituting any series may increase or decrease, but not below the number of such series then outstanding, the shares of any subsequent series.

The Company had 86,994 shares of Preferred Stock issued (including 944 shares in escrow) as of March 31, 2023 and 86,994 shares of Preferred Stock issued (including 944 shares in escrow) as of December 31, 2022. Among other terms, each share of Preferred Stock (i) earns an annual dividend of 8% on the "preference amount," which initially is equal to

the $1,000 per-share purchase price and subject to increase, by having such dividends automatically accrete to, and increase, the outstanding preference amount, (ii) is entitled to a liquidation preference under certain circumstances, (iii) is convertible into shares of Common Stock by dividing the preference amount by $1.20 per share under certain circumstances, and (iv) is subject to a redemption right or obligation under certain circumstances. Preferred dividends were $2,029,394 and $1,743,444 for the three months ended March 31, 2023, and March 31, 2022, respectively.

Common Stock

The Company is authorized to issue 250,000,000 shares of Common Stock, par value $0.001 per share ("Common Stock"). The Company had 56,352,545 shares of Common Stock issued, 55,212,547 shares of Common Stock outstanding, 920,150 shares of Common Stock in treasury, and 441,247 shares of Common Stock in escrow as of March 31, 2023, and 56,352,545 shares of Common Stock issued, 55,212,547 shares of Common Stock outstanding, 920,150 shares of Common Stock in treasury, and 219,848 shares of Common Stock in escrow as of December 31, 2022.

Employee Stock Option Plan

The Company's stock option plan permits the grant of share options to its employees. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on 4 years of continuous service and have a 10-year contractual terms.

The Company recognized $214,544 and $991,083 in expense for stock-based compensation from Common Stock options and Common Stock issued to employees, officers, and directors during the three months ended March 31, 2023 and March 31, 2022, respectively.

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

For the year ended December 31, 2022, the Company issued 717,546 shares of Common Stock valued at $1,027,288 to employees and directors as compensation.

For the three months ended March 31, 2023, the Company did not issue any shares of Common Stock as compensation to directors.

Common and Preferred Stock Issued as Payment for Acquisitions

The Company issued an aggregate of 1,146,099 shares of Common Stock valued at $1,948,620 in connection with the acquisition of the assets of Drift during 2022.

On February 9, 2022, the Company issued 7,116,564 shares of Common Stock valued at $11,600,000 for the acquisition of MCG.

On May 31, 2022, the Company issued 1,670,230 shares of Common Stock valued at $1,900,000 (of which 219,847 shares valued at $288,000 were placed in escrow) for the acquisition of Urban Dispensary.

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.

For the year ended December 31, 2021, the Company issued warrants to purchase an aggregate of 5,531,249 shares of Common Stock as consideration for the Star Buds Acquisition. These warrants have an exercise price of $1.20 per share and expiration dates five years from the dates of issuance. In addition, the Company issued a warrant to purchase an

aggregate of 1,500,000 shares of Common Stock to Altmore in connection with entering into a loan agreement. This warrant has an exercise price of $2.50 per share and expires five years from the date of issuance. The Company estimated the fair value of these warrants at date of grant using the Black-Scholes option pricing model using the following inputs: (i) stock price on the date of grant of $1.20 and $2.50, respectively, (ii) the contractual term of the warrant of five 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 157.60% - 194.56%. No new warrants were issued as of March 31, 2023.

The following table reflects the change in Common Stock purchase warrants for the period ended March 31, 2023:

	Equity Classified Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance as of December 31, 2022	7,218,750	$ 1.76	2.99
Warrants exercised	—	—	—
Warrants forfeited/expired	—	—	—
Warrants issued	—	—	—
Balance as of March 31, 2023	7,218,750	$ 1.76	2.74

14. Earnings per share (Basic and Dilutive)

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. 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.

The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS calculations for the three months ended March 31, 2023 and 2022.

	For the Three Months Ended March 31,	
	2023	2022
Numerator:		
Net income (loss)	$ 1,745,429	$ (26,778,702)
Less: Accumulated preferred stock dividends for the period	(2,029,394)	(1,743,444)
Net income (loss) attributable to common stockholders	$ (283,965)	$ (28,522,146)
Denominator:		
Weighted-average shares of common stock	55,835,501	46,841,971
Basic earnings (loss) per share	$ (0.01)	$ (0.61)
Numerator:		
Net income (loss) attributable to common stockholders – Basic	(283,965)	(28,522,146)
Add: Investor note accrued interest	421,514	—
Add: Investor note amortized debt discount	1,999,933	—
Less: Gain on derivative liability related to investor note	(8,501,685)	—
Net income (loss) attributable to common stockholders – dilutive	$ (6,364,203)	$ (28,522,146)
Denominator:		
Weighted-average shares of common stock	55,835,501	46,841,971
Dilutive effect of investor notes	45,772,777	—
Diluted weighted-average shares of common stock	101,608,278	46,841,971
Diluted earnings (loss) per share	$ (0.06)	$ (0.61)

Basic net loss per share attributable to common stockholders is computed by dividing reported net loss attributable to common stockholders by the weighted average number of common shares outstanding for the reported period. Note that for purposes of basic earnings (loss) per share calculation, shares of Preferred Stock are excluded from the calculation for the three months ending March 31, 2023 and March 31, 2022, as the inclusion of the common share equivalents would be anti-dilutive.

15. Tax Provision

The following table summarizes the Company's income tax expense and effective tax rates for three months ended March 31, 2023 and March 31, 2022:

	Three Months Ended March 31,	
	2023	2022
Income (loss) before income taxes	$ 6,407,607	$ (25,518,808)
Income tax expense	4,662,178	1,259,894
Effective tax rate	72.76%	(4.94)%

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

Due to its cannabis operations, the Company is subject to the limitations of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The effective tax rate for the three months ended March 31, 2023 varies from the three months ended March 31, 2022 primarily due to the change in the Company's expenses that are nondeductible under IRC Section 280E as a proportion of total expenses in the current year and the Company's release of its full valuation allowance against is deferred tax assets at December 31, 2022.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2022, the Company determined that it was more likely than not that its deferred tax assets will be realized and released its full valuation allowance. The Company has additional sources of income, primarily related to acquired deferred tax liabilities with known reversal periods, that will result in future taxable income in excess of its deferred tax assets. Management assesses the need for a valuation allowance each period and continues to have no valuation allowance recorded against its deferred tax assets as of March 31, 2023.

The Company is subject to Federal and state income tax within the United States. The Federal statute of limitation remains open for the 2018 tax year to present. The state statutes of limitation remain open for the 2018 tax year to present.

16. Related Party Transactions

Transactions with Justin Dye and Entities Affiliated with Justin Dye

The Company has participated in several transactions involving Dye Capital, Dye Capital Cann Holdings, LLC (“Dye Cann I”) and Dye Capital Cann Holdings II, LLC (“Dye Cann II”). Justin Dye, the Company’s Chief Executive Officer, one of its directors, and the largest beneficial owner of Common Stock and Preferred Stock, controls Dye Capital and Dye Capital controls Dye Cann I and Dye Cann II. Dye Cann I is the largest holder of the Company’s outstanding Common Stock. Dye Cann II is a significant holder of our Preferred Stock. Mr. Dye has sole voting and dispositive power over the securities held by Dye Capital, Dye Cann I, and Dye Cann II.

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

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

or, in the case of debt, a pro rata portion of such debt based on the percentage of Common Stock (on a fully-diluted basis) that it then owns. The warrants granted to Dye Cann I pursuant to the Dye Cann I SPA expired on June 5, 2022.

The Company entered into a Securities Purchase Agreement (as amended, the "Dye Cann II SPA") with Dye Cann II on November 16, 2020 pursuant to which the Company agreed to sell to Dye Cann II shares of Preferred Stock in one or more tranches at a price of $1,000 per share. The Company and Dye Cann II entered into an amendment to the Dye Cann II SPA on December 16, 2020, a second amendment to the Dye Cann II SPA on February 3, 2021, and a third amendment to the Dye Cann II SPA on March 30, 2021. The Company issued and sold to Dye Cann II 7,700 shares of Preferred Stock on December 16, 2020, 1,450 shares of Preferred Stock on December 18, 2020, 1,300 shares of Preferred Stock on December 22, 2020, 3,100 shares of Preferred Stock on February 3, 2021, 1,300 shares of Preferred Stock on February 25, 2021, 2,500 shares of Preferred Stock on March 2, 2021 and 4,000 shares of Preferred Stock on March 30, 2021. As a result, the Company issued and sold an aggregate of 21,350 shares of Preferred Stock to Dye Cann II for aggregate gross proceeds of $21,350,000.

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

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

For the year ended December 31, 2022 the Company recorded expenses of $382,622 with Tella Digital. As of March 31, 2023, the Company recorded expenses of $171,207 with Tella Digital, as compared to expenses of $214,908 recorded for the period ended March 31, 2022. Tella Digital provides on-premise digital experience solutions for our retail dispensary locations. Mr. Dye is an indirect partial owner of and serves as Chairman of Tella Digital.

Transactions with Entities Affiliated with Nirup Krishanmurthy

For the year ended December 31, 2022 the Company recorded expenses of $382,622 with Tella Digital. As of March 31, 2023, the Company recorded expenses of $171,207 with Tella Digital, as compared to expenses of $214,908 recorded for the period ended March 31, 2022. Tella Digital provides on-premise digital experience solutions for our retail dispensary locations. Nirup Krishnamurthy, the Company's President and one of its directors, is an indirect partial owner of Tella Digital.

Transactions with Jeffrey Cozad and Entities Affiliated with Jeffrey Cozad

On February 26, 2021, the Company entered into a Securities Purchase Agreement (the "CRW SPA") with CRW Capital Cann Holdings, LLC ("CRW") pursuant to which the Company issued and sold 25,350 shares of Preferred Stock to CRW at a price of $1,000 per share for aggregate gross proceeds of $25,350,000. The transaction made CRW a beneficial owner of more than 5% of the Company's common stock. The Company granted CRW certain demand and piggyback registration rights with respect to the shares of common stock issuable upon conversion of the Preferred Stock under the CRW SPA. On the same date, the Company entered into a letter agreement with CRW, granting CRW the right to designate one individual for election or appointment to the Board and Board observer rights. Under the letter agreement, for as long as CRW has the right to designate a Board member, if the Company, directly or indirectly, plans to issue, sell or grant any securities or options to purchase any of its securities, CRW has a right to purchase its pro rata portion of such securities, based on the number of shares of Preferred Stock beneficially held by CRW on the applicable date on an as-converted to common stock basis divided by the total number of shares of common stock outstanding on such date on an as-converted, fully-diluted basis (taking into account all outstanding securities of the Company regardless of whether the holders of such securities have the right to convert or exercise such securities for common stock at the time of determination). Further,

under the letter agreement, the Company paid CRW Capital, LLC, the sole manager of CRW and a holder of a carried interest in CRW, a monitoring fee equal to $150,000 in monthly installments of $12,500. The Company paid CRW a monitoring fee of $25,000 during 2022, and the Company did not pay any monitoring fees to CRW for the period ended March 31, 2023. On March 14, 2021, the Board appointed Jeffrey A. Cozad as a director to fill a vacancy on the Board. Mr. Cozad is a co-manager and owns 50% of CRW Capital, LLC, and he shares voting and disposition power over the shares of Preferred Stock held by CRW with Mr. Rubin. Mr. Cozad and his family members indirectly own membership interests in CRW.

On December 7, 2021, the Company entered into a Securities Purchase Agreement with Cozad Investments, L.P. pursuant to which the Company issued an Investor Note in the aggregate principal amount of $250,000 to Cozad Investments, L.P. for $245,000 in cash. The Investor Note bears interest at 13% per year payable quarterly commencing March 31, 2022 in cash for an amount equal to the amount payable on such date as if the Investor Note was subject to an annual interest rate of 9% with the remainder of the accrued interest payable as an increase to the principal amount of the Note. Mr. Cozad is the majority owner of Cozad Investments, L.P, and a member of the Board.

On May 4, 2022, and June 14, 2022, the Company issued 40,463 shares of Common Stock and 22,728 shares of Common Stock, respectively, to Mr. Cozad as compensation for service on the Board. These shares are valued at $70,001 and $35,001 for May and June 2022, respectively.

Transactions with Marc Rubin and Entities Affiliated with Marc Rubin

On February 26, 2021, the Company entered into the CRW SPA with CRW, of which Marc Rubin is a beneficial owner. Pursuant to the CRW SPA, the Company issued and sold 25,350 shares of Preferred Stock to CRW at a price of $1,000 per share for aggregate gross proceeds of $25,350,000. The transaction made CRW a beneficial owner of more than 5% of the Company's common stock. The Company granted CRW certain demand and piggyback registration rights with respect to the shares of common stock issuable upon conversion of the Preferred Stock under the CRW SPA. Effective February 4, 2022, the Company registered the resale of the shares of common stock issuable upon conversion of the Preferred Stock on a Form S-3. Also on February 26, 2021, the Company entered into a letter agreement with CRW, granting CRW the right to designate one individual for election or appointment to the Board and Board observer rights. Under the letter agreement, for as long as CRW has the right to designate a Board member, if the Company, directly or indirectly, plans to issue, sell or grant any securities or options to purchase any of its securities, CRW has a right to purchase its pro rata portion of such securities, based on the number of shares of Preferred Stock beneficially held by CRW on the applicable date on an as-converted-to-common-stock basis divided by the total number of shares of common stock outstanding on such date on an as-converted, fully-diluted basis (taking into account all outstanding securities of the Company regardless of whether the holders of such securities have the right to convert or exercise such securities for common stock at the time of determination). Further, under the letter agreement, the Company paid CRW Capital, LLC, the sole manager of CRW and a holder of a carried interest in CRW, a monitoring fee equal to $25,000 in 2022, and the Company did not pay any monitoring fees to CRW for the period ended March 31, 2023. Mr. Rubin is a co-manager and 50% owner of CRW Capital, LLC, and he shares voting and disposition power over the shares of Preferred Stock held by CRW with Mr. Cozad.

On December 7, 2021, the Company entered into a Securities Purchase Agreement with The Rubin Revocable Trust U/A/D 05/09/2011 (the "Rubin Revocable Trust") pursuant to which the Company issued an Investor Note in the aggregate principal amount of $100,000 to the Rubin Revocable Trust for $98,000 in cash. The Investor Note bears interest at 13% per year payable quarterly commencing March 31, 2022 in cash for the amount equal to the amount payable on such date as if the Investor Note was subject to an annual interest rate of 9% with the remainder of the accrued interest payable as an increase to the principal amount of the Note. Mr. Rubin is the majority owner of the Rubin Revocable Trust and a member of the Board. In October 2022, the Board appointed Mr. Rubin as a director to fill a vacancy on the Board.

Transactions with Jeffrey Garwood

On December 7, 2021, the Company entered into a Securities Purchase Agreement with Jeff Garwood pursuant to which the Company issued an Investor Note in the aggregate principal amount of $300,000 to Mr. Garwood for $294,000 in cash. The Investor Note bears interest at 13% per year paid quarterly commencing March 31, 2022 in cash for an amount equal

to the amount payable on such date as if the Note was subject to an annual interest rate of 9% with the remainder of the accrued interest payable as an increase to the principal amount of the Note. Mr. Garwood is a member of the Board.

On May 4, 2022, and June 14, 2022, the Company issued 40,463 shares of Common Stock and 22,728 shares of Common Stock, respectively, to Mr. Garwood, as compensation for service on the Board. These shares are valued at $70,001 and $35,001 for May and June 2022, respectively.

Transactions with Pratap Mukharji

On December 7, 2021, the Company entered into a Securities Purchase Agreement with Pratap Mukharji pursuant to which the Company issued an Investor Note in the aggregate principal amount of $200,000 to Mr. Mukharji for $196,000 in cash. The Investor Note bears interest at 13% per year paid quarterly commencing March 31, 2022 in cash for an amount equal to the amount payable on such date as if the Note was subject to an annual interest rate of 9% with the remainder of the accrued interest payable as an increase to the principal amount of the Note. Mr. Mukharji is a member of the Board.

On May 4, 2022, and June 14, 2022, the Company issued 40,463 shares of Common Stock and 22,728 shares of Common Stock, respectively, to Mr. Mukharji as compensation for service on the Board. These shares are valued at $70,001 and $35,001 for May and June 2022, respectively.

Transactions with Paul Montalbano

On May 4, 2022, and June 14, 2022, the Company issued 40,463 shares of Common Stock and 22,728 shares of Common Stock, respectively, to Mr. Montalbano as compensation for service on the Board. These shares are valued at $70,001 and $35,001 for May and June 2022, respectively.

Transactions with Jonathan Berger

On May 4, 2022, and June 14, 2022, the Company issued 40,463 shares of Common Stock and 22,728 shares of Common Stock, respectively, to Mr. Berger as compensation for service on the Board. These shares are valued at $70,001 and $35,001 for May and June 2022, respectively. On June 24, 2022, the Company issued 19,085 shares of Common Stock to Mr. Berger as compensation for service as the Chair of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee of the Board. These shares are valued at $25,001 for June 2022. On September 22, 2022, the Company issued 102,355 shares of Common Stock to Mr. Berger as compensation for service as Lead Independent Director of the Board. These shares are valued at $100,000 for September 2022.

Transactions with Star Buds Parties

The Company has participated in several transactions involving entities owned or affiliated with one or more of its directors or 5% or greater beneficial owners that are affiliated with Star Buds and/or the Star Buds Acquisitions. These individuals include: (i) Brian Ruden, a former director of the Company as of October 2022, and a beneficial owner of 10% or more of the Company's voting stock, (ii) Salim Wahdan, a former director of the Company as of March 2023, and (iii) Naser Joudeh and Shadhaa Ramadan, jointly as the beneficial owner of 10% or more of the Company's voting stock (the "Joudeh Owners" and together with Brian Ruden and Salim Wahdan, the "Star Buds Affiliates"). Each of Brian Ruden, Salim Wahdan, and the Joudeh Owners had an ownership stake in the Star Buds companies acquired by the Company between December 2021 and May 2022.

Between December 17, 2020 and March 2, 2021, the Company's wholly-owned subsidiary SBUD LLC acquired Star Buds assets. The aggregate purchase price for the Star Buds assets was $118,000,000, paid as follows: (i) $44,250,000 in cash at the applicable closings, (ii) $44,250,000 in deferred cash, also referred to in this report as "seller note(s)," (iii) 29,506 shares of Preferred Stock, of which 25,078 shares were issued at the applicable closings and 4,428 shares were held back by the Company as collateral for potential indemnification obligations pursuant to the applicable purchase agreements. In addition, the Company issued warrants to purchase an aggregate of 5,531,250 shares of common stock to the sellers. Each Party's interests in the seller notes is as follows: (i) Brian Ruden: 31%, (ii) Salim Wahdan: 3.5%, and (iii) the Joudeh Owners: 28%. The Company issued warrants to purchase an aggregate of (i) 1,715,936 shares of common stock to Mr.

Ruden, (ii) 193,929 shares of commons stock to Mr. Wahdan, and (iii) 1,522,457 shares of common stock to the Joudeh Owners.

As of December 31, 2022, the Company (i) owed an aggregate principal amount of $44,250,000 under the seller notes, (ii) paid an aggregate of $5,310,000 in interest on the seller notes, and (iii) held 944 shares of Preferred Stock in escrow as collateral for potential indemnification obligations pursuant to the applicable purchase agreements.

In connection with acquiring the Star Buds assets the Company also assumed and acquired a number of leases for which one or more of the Star Buds Affiliates serve as landlord or maintain an ownership interest in the landlord entity. The Company has entered into a lease with each of 428 S. McCulloch LLC, Colorado Real Estate Holdings LLC, 5844 Ventures LLC, 5238 W 44th LLC, 4690 Brighton Blvd LLC, 14655 Arapahoe LLC and Montview Real Estate LLC, on substantially the same terms. Each of the leases is for an initial three-year term. The lease with 428 S. McCulloch LLC is for the Company's Pueblo West Star Buds location and was effective on December 17, 2020. The leases with Colorado Real Estate Holdings LLC and 5844 Ventures LLC is for the Company's Niwot and Commerce City Star Buds location, respectively, and was effective on December 18, 2020. The lease with 5238 W 44th LLC is for the Company's Lakeside Star Buds location and was effective on February 3, 2021. The lease with 4690 Brighton Blvd LLC is for the Company's Brighton store in north Denver and was effective on February 3, 2021. The lease with 14655 Arapahoe LLC and Montview Real Estate LLC is for the Company's Arapahoe and Aurora locations, respectively, and was effective on March 2, 2021. The 428 S McCulloch LLC, 5844 Ventures LLC and 5238 W 44th LLC provides for a monthly rent payment of $5,000 with an aggregate of $180,000 during the initial term of the leases. The Colorado Real Estate Holdings LLC lease provides for a monthly rent payment of $6,779 with an aggregate of $244,044 during the initial term of the lease. The 14655 Arapahoe LLC lease provides for a monthly rent payment of $12,367 with an aggregate of $445,212 during the initial term of the lease. The Montview Real Estate LLC lease provides for a monthly rent of $6,250 with an aggregate of $225,000 during the initial term of the lease. The Brighton Blvd LLC lease provides for a monthly rent payment of $7,250 with an aggregate of $261,000 during the initial term of the lease. SBUD LLC made aggregate rent payments of $142,938 and $571,752 for the periods ending March 31, 2023 and December 31, 2022, respectively, as compared to aggregate rent payments of $121,188 for the period ending March 31, 2022 made by SBUC LLC. In addition, SBUD LLC must pay each landlord's expenses and disbursements incurred in connection with the ownership, operation, maintenance, repair and replacement of the premises. SBUD LLC has the option to renew each lease for two additional three-year terms with escalation. The Company has an option to purchase the premises at fair market value at any time during the lease term and also has a right of first refusal if the landlords desire to sell the premises to a third party.

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

In connection with the Star Buds Acquisitions, the Company granted Mr. Ruden and Mr. Joudeh the right to jointly designate two or three individuals for election or appointment to the Board, depending on the size of the Board at a given time.

17. Commitments and Contingencies

Definitive Agreement to Acquire Two Retail Dispensaries from Colorado-Based Smokey's.

On January 25, 2023, the Company entered into an Asset Purchase Agreement (the "Smokey's Purchase Agreement") with Smoke Holdco, LLC, a wholly-owned indirect subsidiary of the Company (the "Smokey's Purchaser"), Cannabis Care Wellness Centers, LLC d/b/a Smokey's ("Cannabis Care"), Green Medicals Wellness Center #5, LLC d/b/a Smokey's ("Green Medicals" and together with Cannabis Care, "Smokey's"), Thomas Jerome Wilczynski, as Representative, and the owners of Smokey's, Jeremy Ryan Lewchuk, T&B Holdings LLC, and Thomas Jerome Wilczynski, pursuant to which the Smokey's Purchaser will purchase two retail and medical marijuana stores located in Fort Collins, Colorado and Garden City, Colorado, on the terms and subject to the conditions set forth in the Smokey's Purchase Agreement (collectively, the "Smokey's Acquisition"). The aggregate consideration for the Smokey's Acquisition will be up to $7.5 million, payable in cash and shares of common stock. At the closing, the Company will pay

the purchase price (i) in cash in the amount of $3.75 million and (ii) in shares of the Company's common stock in the amount of $3,150,000 divided by the price per share of the Company's common stock as of market close on the first trading day immediately before the closing of the Smokey's Acquisition. At closing, the Company will use a portion of the purchase price to pay off certain indebtedness and transaction expenses of Smokey's and then pay the balance to Smokey's. The Company will hold back from issuance additional shares of the Company's common stock in the amount of $600,000 divided by the price per share of the Company's common stock as of market close on the first trading day immediately before the closing of the Smokey's Acquisition and $150,000 of the cash portion of the purchase price as collateral for potential claims for indemnification from Smokey's under the Smokey's Purchase Agreement. Any portion of the holdback consideration not used to satisfy indemnification claims will be issued or released (as applicable) to the owners of Smokey's on the 18-month anniversary of the closing date of the Smokey's Acquisition in accordance with the Smokey's Purchase Agreement. The cash holdback is also subject to post-closing reduction if any of the actual marijuana inventory or cash at closing is less than certain targets stated in the Smokey's Purchase Agreement.

The Smokey's Purchase Agreement contains customary representations and warranties, covenants, and indemnification provisions for a transaction of this nature, including, without limitation, covenants regarding the operation of Smokey's' business before the closing of the Smokey's Acquisition, and confidentiality, non-compete and non-solicitation undertakings by Smokey's and the owners of Smokey's. The Smokey's Purchase Agreement also contains certain termination rights for each of the Smokey's Purchaser (on its own behalf and on behalf of the Company) and Smokey's (on its own behalf and on behalf of the owners), subject to the conditions set forth in the Smokey's Purchase Agreement, including, without limitation, if the closing has not occurred within 120 days of submission of the state regulatory application required pursuant to the Smokey's Purchase Agreement. The closing of the Smokey's Acquisition is subject to closing conditions customary for a transaction of this nature, including, without limitation, obtaining licensing approval from the Colorado Marijuana Enforcement Division and local regulatory authorities.

18. Segment Information

The Company has three identifiable segments as of March 31, 2023; (i) retail, (ii) wholesale and (iii) and other. The retail segment represents our dispensaries which sell merchandise directly to customers via retail locations and e-commerce portals. The wholesale segment represents our manufacturing, cultivation, and wholesale business which sells merchandise to customers via e-commerce portals, a retail location, and a manufacturing facility. The other segment derives its revenue from in-store advertisements and vendor promotions offered in the Company's retail dispensaries.

The following information represents segment activity as of and for the three months ended March 31, 2023:

	Retail	Wholesale	Other	Total
External revenues	$ 35,820,111	$ 4,058,925	$ 121,900	$ 40,000,936
Depreciation and Intangible assets amortization	2,427,861	744,653	258,127	3,430,641
Segment profit	18,761,566	(660,110)	(8,758,551)	9,342,905
Segment assets	201,194,400	74,479,695	50,301,180	325,975,275

The following information represents segment activity as of and for the three months ended March 31, 2022:

	Retail	Wholesale	Other	Total
External Revenues	26,525,716	5,207,388	44,450	31,777,554
Depreciation and Intangible assets amortization	2,004,408	326,573	209,815	2,540,796
Segment profit	3,761,943	(421,864)	(30,118,781)	(26,778,702)
Segment assets	184,138,812	64,813,396	73,930,525	322,882,733

Segment assets from Other are mainly related to goodwill from the Nuevo acquisition.

19. Subsequent Events

In accordance with FASB ASC 855-10, *Subsequent Events*, the Company has analyzed its operations subsequent to March 31, 2023 to the date these condensed 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:

Definitive Agreement to Acquire One Medical Retail Dispensary from Colorado-Based Standing Akimbo.

On April 13, 2023, the Company and its indirect wholly-owned subsidiary, Double Brow, LLC ("Double Brow") entered into an Asset Purchase Agreement (the "Akimbo Purchase Agreement") with Standing Akimbo, LLC ("Standing Akimbo"), Spencer A. Kirson ("Kirson"), John G. Murphy ("Murphy" together with Kirson, the "Akimbo Equityholders" and each an "Akimbo Equityholder"), pursuant to which Double Brow will purchase substantially all of Standing Akimbo's assets used or held for use in its business of owning and operating a medical marijuana store located in Denver, Colorado, on the terms and subject to the conditions set forth in the Akimbo Purchase Agreement (collectively, the "Akimbo Acquisition"). The aggregate consideration for the Akimbo Acquisition will be up to $10.54 million, payable $5 million in cash and approximately $5.54 million in shares of Company's common stock priced at the closing of the Akimbo Purchase Agreement. Double Brow will pay the cash portion of the purchase price in the amount of $1 million at closing and $4 million in deferred cash payments to be paid to Standing Akimbo in installments over twelve months following the closing of the Akimbo Acquisition. Double Brow will hold back $83,333 from each deferred cash payment (up to $750,000 in the aggregate from the deferred cash consideration) for the purpose of securing Kirson's performance pursuant to the employment agreement entered into between Kirson and the Company in connection with the Akimbo Purchase Agreement. The deferred cash consideration is also subject to post-closing reduction if any of the actual marijuana inventory or cash at closing is less than certain targets stated in the Purchase Agreement. The stock portion of the purchase price will be payable in the amount of (i) approximately $4.5 million divided by the price per share of the Company's common stock as of market close on the first trading day immediately before the closing of the Akimbo Acquisition, due to Standing Akimbo at the closing of the Akimbo Acquisition, and (ii) approximately $1.04 million divided by the price per share of the Company's common stock as of market close on the first trading day immediately before the closing of the Akimbo Acquisition will be held back by the Company as collateral for potential claims for indemnification from Standing Akimbo under the Akimbo Purchase Agreement. Any portion of the holdback consideration not used to satisfy indemnification claims will be issued to the Akimbo Equityholders on the later of (i) the 18-month anniversary of the closing date of the Akimbo Acquisition, or (ii) the date of satisfaction of all amounts payable by Standing Akimbo to government authorities for taxes in accordance with the Akimbo Purchase Agreement.

The Purchase Agreement contains customary representations and warranties, covenants, and indemnification provisions for a transaction of this nature, including, without limitation, covenants regarding the operation of Standing Akimbo's business before the closing of the Akimbo Acquisition, and confidentiality, non-compete and non-solicitation undertakings by Standing Akimbo and the Akimbo Equityholders. The Akimbo Purchase Agreement also contains certain termination rights for each Double Brow (on its own behalf and on behalf of the Company) and Standing Akimbo (on its own behalf and on behalf of the Akimbo Equityholders), subject to the conditions set forth in the Akimbo Purchase Agreement, including, without limitation, if the closing has not occurred within 120 days of submission of the state regulatory application required pursuant to the Akimbo Purchase Agreement. The closing of the Akimbo Acquisition is subject to closing conditions customary for a transaction of this nature, including, without limitation, obtaining licensing approval from the Colorado Marijuana Enforcement Division and local regulatory authorities. The Company will enter into customary lock-up agreements with the recipients of the stock consideration providing limitations on the resale of the shares of Company common stock received as part of the consideration.

Definitive Agreement to Acquire 14 Retail Dispensaries, One Cultivation Facility, and One Manufacturing Facility from New Mexico-Based Everest Apothecary.

On April 21, 2023, the Company and its indirect wholly-owned subsidiary, Evergreen Holdco, LLC, a New Mexico limited liability company (the "Everest Purchaser"), entered into an Asset Purchase Agreement with Sucellus, LLC, a New Mexico limited liability company ("Everest Seller"), James Griffin, Brook Laskey, William Baldwin, Andrew Dolan, and Greg Templeton (the "Everest Equityholders"), and Brook Laskey, as Representative (the "Everest Purchase Agreement"), pursuant to which Everest Purchaser will acquire substantially all of the operating assets of Everest Seller and assume

specified liabilities of Everest Seller, subject to the terms and conditions set forth in the Everest Purchase Agreement (the "Everest Acquisition"). Pursuant to existing laws and regulations in New Mexico, the cannabis licenses for the facilities managed by Everest Seller are held by a not-for-profit entity: Everest Apothecary, Inc., ("Everest Apothecary"). The aggregate purchase price for the Everest Acquisition will be up to approximately $38 million (subject to customary adjustments for working capital, inventory, debt, seller transaction costs, and cash), payable $12.5 million in cash, $17.5 million in the form of an unsecured promissory note, the principal of which is payable on the last day of the calendar quarter following the fourth anniversary of the closing of the Everest Acquisition with interest payable quarterly at an annual interest rate of 5% (the "Everest Note"), $8 million in Company common stock priced at closing of the Everest Purchase Agreement, and a potential "earn-out" payment of up to an additional $8 million, payable in Company common stock priced at closing of the Everest Purchase Agreement, based on the revenue performance of certain retail stores of Everest Apothecary for 12 months following such store opening for business.

Everest Purchaser will have control of the board of directors of Everest Apothecary following closing of the Everest Purchase Agreement. Further, the Everest Purchase Agreement contemplates that Everest Purchaser will enter into a Call Option Agreement with Everest Apothecary that would provide Everest Purchaser with an option to purchase the equity or assets of Everest Apothecary, including the cannabis licenses, at such time as such an acquisition would be permitted under applicable New Mexico laws and regulations. The Everest Purchase Agreement provides for potential indemnification claims by the Company and Everest Purchaser against Everest Apothecary and the Everest Equityholders subject to certain limitations and conditions. Permitted indemnification claims can be offset against the Everest Note. The Company and Everest Purchaser have also agreed to indemnify certain seller indemnified parties subject to certain limitations and conditions. The Everest Purchase Agreement contains customary representations and warranties, covenants, and indemnification provisions for a transaction of this nature, including, without limitation, covenants regarding the operation of Everest Apothecary's business before closing, and confidentiality, non-disparagement, non-solicitation and non-competition undertakings by the Everest Equityholders, among others. The Everest Purchase Agreement also contains certain termination rights for parties, subject to the conditions set forth in the Everest Purchase Agreement, including, without limitation, if the closing has not occurred on or before July 20, 2023. The closing of the Everest Purchase Agreement is subject to other closing conditions customary for a transaction of this nature, including, without limitation, obtaining approval from the New Mexico state and local regulatory authorities. The Company will enter into customary lock-up agreements with the recipients of the stock consideration providing limitations on the resale of the shares of Company common stock received as part of the consideration.

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

The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included herein and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC. In addition to our historical unaudited condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Report, particularly in Part II, Item 1A, "Risk Factors." See also, "CAUTIONARY NOTE ABOUT FORWARD-LOOKING INFORMATION."

OVERVIEW OF THE COMPANY

Established in 2014 and headquartered in Denver, Colorado, Medicine Man Technologies, Inc., is a vertically integrated cannabis company with experienced retail leadership and operations in Colorado and New Mexico. The Company is focused on building a premier, vertically-integrated cannabis company by taking its retail operating playbook to other states where it can develop a differentiated leadership position. The Company strives for a high-performance culture that combines customer-centric thinking and data science to test, measure, and drive decisions and outcomes.

Q1 Highlights

During the first quarter of 2023, the Company focused on its growth strategy by pursuing additional acquisition opportunities and growing its retail presence in New Mexico. The Company opened two new stores in February and March 2023 located in Albuquerque and Carlsbad, New Mexico, and it opened a third relocation store in the Northeast Heights neighborhood of Albuquerque, New Mexico, all of which were opened under the R. Greenleaf banner. The Company also entered into a definitive agreement to acquire two retail dispensaries located in Garden City and Forth Collins, Colorado in January 2023. In January and February of 2023, the Company added a new Chief Financial Officer and Chief Legal Officer to its executive leadership team. In March 2023, the Company launched its enhanced customer e-commerce platform in New Mexico for the R. Greenleaf banner.

Recent Developments

In April 2023, the Company entered into two definitive acquisition agreements to expand its overall asset base and operational capacity: one agreement entered into on April 13, 2023 to acquire one medical retail dispensary located in Denver, Colorado from Standing Akimbo, and one agreement entered into on April 21, 2023 to acquire fourteen retail dispensaries, one cultivation facility, and one manufacturing facility predominantly located in and around Albuquerque, New Mexico from Everest Apothecary. The Company also launched its newest internally developed brand of pre-ground, ready-to-roll flower, EDW or Every Day Weed, in April 2023 in Colorado with expansion plans for New Mexico coming soon. In May 2023, the Company announced the addition of a new Executive Vice President of Commercial Sales to its executive leadership team.

RESULTS OF OPERATIONS – CONSOLIDATED

The following table sets forth the Company's selected consolidated financial results for the periods, and as of the dates, indicated. The (i) consolidated statements of operations for the three months ended March 31, 2023 and March 31, 2022 and (ii) consolidated balance sheet as of March 31, 2023 and December 31, 2022 have been derived from and should be read in conjunction with the consolidated financial statements and accompanying notes presented in this report.

The Company's consolidated financial statements have been prepared in accordance with GAAP and on a going-concern basis that contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business.

	For the Three Months Ended March 31,		2023 vs 2022	
	2023	2022	$ Δ	% Δ
Total revenue	$ 40,000,936	$ 31,777,554	$ 8,223,382	26 %
Total cost of goods and services	16,968,270	20,840,051	(3,871,781)	(19)%
Gross profit	23,032,666	10,937,503	12,095,163	111 %
Total operating expenses	17,382,706	15,728,043	1,654,663	11 %
Income (loss) from operations	5,649,960	(4,790,540)	10,440,500	(218)%
Total other income (expense)	757,647	(20,728,268)	21,485,915	(104)%
Provision for income taxes (benefit)	4,662,178	1,259,894	3,402,284	270 %
Net income (loss)	$ 1,745,429	$ (26,778,702)	$ 28,524,131	(107)%
Earnings (loss) per share attributable to common shareholders - basic	$ (0.01)	$ (0.61)	$ 0.60	(99)%
Earnings (loss) per share attributable to common shareholders - diluted	$ (0.06)	$ (0.61)	$ 0.55	(90)%
Weighted average number of shares outstanding - basic	55,835,501	46,841,971		
Weighted average number of shares outstanding - diluted	101,608,278	46,841,971		

Quarter Ended March 31, 2023 Compared to the Quarter Ended March 31, 2022

Revenue

Revenues for the three months ended March 31, 2023 totaled $40,000,936, including (i) retail sales of $35,820,111 (ii) wholesale sales of $4,058,925 and (iii) other operating revenues of $121,900, compared to revenues of $31,777,554, including (i) retail sales of $26,525,716, (ii) wholesale sales of $5,207,388, and (iii) other operating revenues of $44,450 during the three months ended March 31, 2022, representing an increase of $8,223,382 or 26%. Revenue increased over the prior period largely due to execution of the Company's growth strategy and adult-use legalization taking effect in New Mexico during 2022.

During the first quarter of 2022, the Company acquired four retail stores in Colorado and ten retail stores in New Mexico. Following the first quarter of 2022, the Company acquired and integrated three additional retail stores in Colorado and opened eight new retail stores in New Mexico through March 31, 2023. Each of these acquisitions and store openings increased the Company's retail footprint and revenue base in each state that caused revenue to increase as compared to the prior period. Additionally, retail sales in New Mexico for the first quarter of 2022 were limited to medical cannabis sales only; adult-use sales commenced in New Mexico in April 2022, which also caused revenue to be higher in the first quarter of 2023 as compared to the prior period.

Wholesale revenue decreased as compared to the prior period due to continued pricing pressure in the Colorado wholesale market, particularly in bulk distillate and flower prices. Wholesale pricing during the first quarter of 2023 was down by approximately 30% to 40% as compared to the prior period in 2022.

Other revenue increased as compared to the prior period due to increased promotional activity within the Company's owned retail assets. Incorporation of 11 additional retail stores into the Company's asset base since March 31, 2022 increased the Company's ability to offer additional promotional services across a wider retail platform.

Cost of Goods and Services

Cost of goods and services for the three months ended March 31, 2023 totaled $16,968,270 compared to cost of goods and services of $20,840,051 during the three months ended March 31, 2022, representing an decrease of $3,871,781 or 19%. Overall cost of goods and services decreased due to overall cost improvements due to vertical integration in New Mexico.

Operating Expenses

Operating expenses for the three months ended March 31, 2023 totaled $17,382,706, compared to operating expenses of $15,728,043 during the three months ended March 31, 2022, representing an increase of $1,654,663 or 11%. This increase is due to payroll tax refunds offset by intangible asset amortization related to non-cash purchase price accounting adjustments from 2022 acquisitions reflected in selling, general and administrative expenses.

Other Income (Expense), Net

Other income, net for the three months ended March 31, 2023 totaled $757,647 compared to other expense, net, of $20,728,268 during the three months ended March 31, 2022, representing an decrease in other expenses of $21,485,915. The decrease in other expenses is due to the revaluation of the derivative liability related to the Investor Notes issued in December 2021 that was recognized as an expense in the period ended March 31, 2022 but recognized as income for the period ended March 31, 2023.

Net Income (Loss)

As a result of the factors discussed above, we generated net income for the three months ended March 31, 2023 of $1,745,429, compared to net loss of $26,778,702 for the three months ended March 31, 2022.

REVENUE BY SEGMENT

The Company has consolidated financial statements across its operating businesses with operating segments of retail, wholesale and other as set forth below.

	For the Three Months Ended March 31,		2023 vs 2022	
	2023	2022	$ Δ	% Δ
Retail	$ 35,820,111	$ 26,525,716	$ 9,294,395	35 %
Wholesale	4,058,925	5,207,388	$ (1,148,463)	(22)%
Other	121,900	44,450	$ 77,450	174 %
Total revenue	$ 40,000,936	$ 31,777,554	$ 8,223,382	26 %

Retail revenues for the quarter and year to date period ended March 31, 2023 were $35,820,111, an increase of $9,294,395 or 35% compared to the same period in 2022. The increase was driven by acquisition activity in Colorado and New Mexico throughout the year as well as organic store openings in New Mexico.

Revenues for the Wholesale segment were $4,058,925 for the quarter and year to date period ended March 31, 2023, a decrease of $1,148,463 or 22% compared to the same period in 2022. Wholesale revenue decreased as compared to the prior period due to continued pricing pressure in the Colorado wholesale market, particularly in bulk distillate and flower prices. Wholesale pricing during the first quarter of 2023 was down by approximately 30% to 40% as compared to the prior period in 2022.

Other revenues were $121,900 for the quarter and year to date period ended March 31, 2023, an increase of $77,450 or 174% compared to the same period in 2022. Other revenue increased as compared to the prior period due to increased promotional activity within the Company’s owned retail assets. Incorporation of 11 additional retail stores into the Company’s asset base since March 31, 2022 increased the Company’s ability to offer additional promotional services across a wider retail platform.

DRIVERS OF RESULTS OF OPERATIONS & KEY PERFORMANCE INDICATORS

Revenue

The Company derives its revenue from three revenue streams: (i) Retail, which sells finished goods sourced internally and externally to the end consumer in retail stores; (ii) Wholesale, which is the cultivation of flower and biomass sold internally and externally and the manufacturing of biomass into distillate for integration into externally developed products, such as edibles and internally developed products such as vapes and cartridges under the Purplebee's brand; and (iii) Other, which includes other income and expenses from sales of vendor promotional programs within the Company's owned retail assets.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes costs directly attributable to product sales and includes amounts paid for finished goods such as flower, edibles, and concentrates, as well as manufacturing and cultivation labor, packaging, supplies and overhead such as rent, utilities and other related costs. Cannabis costs are affected by market supply. Gross margin measures our gross profit as a percentage of revenue.

Operating Income

Operating income consists of gross profit less operating expenses. Such operating expenses includes selling, general, and administrative expenses (SG&A), professional services, salary, and stock-based compensation expenses. Operating income measures the profitability of the Company's operating assets.

Operating Working Capital

Operating Working Capital is derived from current assets, which is adjusted to exclude cash and cash equivalents, less current liabilities, which is adjusted to exclude derivative liabilities and the current portion of long term debt. Operating Working Capital is a non-GAAP financial measure, please see the section entitled "Non-GAAP Measures" below.

Adjusted EBITDA

Adjusted EBITDA is derived from Operating Income, which is adjusted for one-time expenses including merger and acquisition and capital-raising costs, non-cash related compensation costs, goodwill impairment, costs related to discontinued operations, depreciation and amortization, and other one-time expenses. Adjusted EBITDA is a non-GAAP financial measure, please see the section entitled "Non-GAAP Measures" below.

Free Cash Flow

We define free cash flow ("Free Cash Flow") as "net cash flows from operating activities" plus cash interest expense for the applicable measurement period less capital expenditures for the applicable measurement period as shown on our Condensed Consolidated Statement of Cash Flows. We believe free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, fund acquisitions, make strategic investments, and for certain other activities. Free cash flow is not a measure determined in accordance with GAAP and should not be considered a substitute for "Operating income," "Net income," "Net cash flows from operating activities" or any other measure determined in accordance with GAAP. Since free cash flow includes investments in operating assets, we believe this non-GAAP liquidity measure is useful in addition to the most directly comparable GAAP measure "Net cash flows from operating activities."

NON-GAAP MEASURES AND RECONCILIATION

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA, Operating Working Capital, and Free Cash Flow are non-GAAP measures and do not have standardized definitions under GAAP. The following information provides reconciliations for the supplemental non-GAAP financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has

provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because the Company believes it better explains the results of its core business. Management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insight when analyzing the core operating performance of the business. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with the GAAP financial measures presented.

Reconciliation:

	Three Months Ended March 31,	
	2023	2022
Net income (loss)	**$ 1,745,429**	**$ (26,778,702)**
Interest expense, net	7,745,854	7,302,254
Provision for income taxes	4,662,178	1,259,894
Other (income) expense, net of interest expense	(8,503,501)	13,426,014
Depreciation and amortization	6,612,814	2,540,796
Earnings before interest, taxes, depreciation and amortization (EBITDA) (non-GAAP measure)	**$ 12,262,774**	**$ (2,249,744)**
Non-cash stock compensation	214,544	991,083
Deal related expenses	1,195,802	2,256,934
Capital raise related expenses	35,068	564,320
Inventory adjustment to fair market value for purchase accounting	-	6,260,434
Severance	118,436	4,565
Retention program expenses	280,632	-
Employee relocation expenses	25,707	18,778
Other non-recurring items	391,917	17,911
Adjusted EBITDA (non-GAAP measure)	**$ 14,524,880**	**$ 7,864,281**
Revenue	40,000,936	31,777,554
aEBITDA Percent	*36.3%*	*24.7%*

	Three Months Ended March 31,	
	2023	2022
Net cash provided by (used in) operating activities	$ (879,861)	$ 3,622,321
Plus: Cash paid for interest	6,540,748	4,722,639
Less: Purchases of fixed assets	(2,913,394)	(2,643,404)
Free cash flow (non-GAAP measure)	**$ 2,747,493**	**$ 5,701,556**

	Three Months Ended March 31,	
	2023	2022
Current assets	$ 74,120,514	$ 71,735,033
Less: Cash and cash equivalents	(35,166,629)	(38,949,253)
Adjusted current assets	**38,953,885**	**32,785,780**
Current liabilities	$ 41,973,461	$ 47,381,308
Less: Derivative liabilities	(8,006,568)	(16,508,253)
Less: Current portion of long term debt	(3,000,000)	(2,250,000)
Adjusted current liabilities	**30,966,893**	**28,623,055**
Operating working capital (Non-GAAP measure)	**$ 7,986,992**	**$ 4,162,725**

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of March 31, 2023 and March 31, 2022, the Company had total current liabilities of $41,973,461 and $47,381,308, respectively. As of March 31, 2023 and March 31, 2022, the Company had cash and cash equivalents of $35,166,629 and $38,949,253, respectively to meet its current obligations. The Company had operating working capital of $7,986,992 as of March 31, 2023, an increase of $3,824,267 as compared to March 31, 2022. The increase in operating working capital for the three months ended March 31, 2023 was largely driven by increased inventory and reduction of accounts payable throughout the quarter.

The Company is an early-stage growth company, generating cash from operational revenue and capital raises. The Company predominantly relies on internal capital that is generated through operational revenue and any other internal sources of liquidity to meet its short-term and certain long-term capital demands. Management believes the Company's current projected growth and revenue from operation of preexisting and newly acquired assets will be sufficient to meet its current obligations as they become due. The Company also relies on a combination of internal and external capital to meet its long-term obligations, with internal liquidity sourced from operational revenue and external financing acquired from various sources, including commercial loan arrangements, capital raises and private placement transactions, and cash from the Investor Notes. Management believes this combination of internal cash generated from operations and external liquidity will be sufficient to meet the Company's long-term obligations; however, it is possible the Company will seek additional external financing to meet capital needs in the future. The Company maintains the unused portion of the funds received from the Investor Notes for future acquisitions and execution of its strategic growth initiatives.

Trends Impacting Liquidity

While management believes that the Company has sufficient liquidity to support its capital needs, certain factors may positively or negatively impact the Company's liquidity and financing opportunities.

Due to our participation in the cannabis industry and the regulatory framework governing cannabis in the United States, our debt and loan arrangements are sometimes subject to higher interest rates than are market for other industries, which has an unfavorable impact on our liquidity and capital resources. We also tend to incur higher banking fees and rates than businesses in other industries. Additionally, the cash requirements to service our debt obligations increase with the passage of time due to interest accrual, which increases constraints on our capital resources and tends to reduce liquidity in the amount of such accruals. We currently anticipate meeting these cash requirements from operating revenue and cash on hand. While participation in the cannabis industry tends to negatively impact certain aspects of capital resources more than other industries, this could change in the future with changes to federal law. If the federal government enacts laws permitting the banking and financial industries to engage with the cannabis industry, such as passage of the SAFE Banking Act, which passed in the House of Representatives in 2022 but did not pass in the U.S. Senate, the Company anticipates that this could have a positive impact on the Company's liquidity because it will open up financing and refinancing opportunities not otherwise widely available to cannabis companies at this time due to the current regulatory landscape.

One of our strategic goals is to grow our business through acquisitions, which also tends to negatively impact liquidity during periods when we consummate an identified acquisition. We expect to continue executing this strategy in future periods, meeting such capital requirements in connection therewith from both internal capital and external financing (including unused funds from the Investor Notes), which will decrease liquidity.

The wholesale cannabis market has experienced downward pricing pressure from over-supply of certain cannabis products in the market, which has affected retail margins in certain periods and will likely impact the relationship between cost and revenue if and/or when supply is constrained. However, we maintain the ability to shift between external sales and internal use or transfer of our wholesale products due to vertical integration based on market conditions, which may mitigate some of the negative impacts of wholesale market downturns. Wholesale pricing can affect margins positively or negatively depending on market conditions, but profit as a percentage of revenue tends to have an inverse relationship with market pricing conditions. Wholesale pricing increases could reduce retail margins and also generate positive profitability in the wholesale segment, and vice versa. The Company anticipates that the wholesale market will likely remain depressed relative to previous recent periods, which can negatively impact the Company's overall liquidity.

Increasing inflation may also negatively impact our liquidity, as our cost of goods and services may increase without corresponding increases to revenue. Inflation increases could also impact our incremental borrowing rate and ability to obtain external financing on similar terms as previous financing arrangements. Increasing inflation and general economic downturn in the United States could also negatively impact revenue to the extent such factors affect consumer behavior. Additional factors or trends that have impacted or could potentially impact liquidity in future periods include general economic conditions such as market saturation, inflation, and general economic downturn.

Cash Flows

Net cash (used in) provided by operating, investing and financing activities for the periods ended March 31, 2023 and 2022 were as follows:

	For the Periods Ended March 31,	
	2023	2022
Net cash (used in) provided by operating activities	$ (879,861)	$ 3,622,321
Net cash used in investing activities	(2,902,763)	(62,334,443)
Net cash provided by financing activities	—	—

Operating Activities

The change in cash related to operating activities for the three months ended March 31, 2023 was predominantly driven by inventory expansion and reduction of accounts payable during the period as compared to the period ended March 31, 2022.

Investing Activities

The Company's use of cash from investing activities is driven by acquisition of businesses, cannabis licenses, and property, plant, and equipment for existing entities such as store remodels. The variance in cash used for investing activities relates to decreased acquisition activity for the period ended March 31, 2023 as compared to the prior period.

Financing Activities

Historically, our cash provided by financing activities has mainly consisted of proceeds from our Loan Agreement with Altmore, the Investor Notes and the issuance of shares of Common Stock. There were no cash financing activities during the first quarter of 2022 and 2023. In accordance with ASC 230 *Statement of Cash Flows*, certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on the Company's net earnings and financial position.

Description of Indebtedness

Loan Agreement

On February 26, 2021, the Company entered into the Loan Agreement with Altmore. Upon execution of the Loan Agreement, the Company received $10,000,000 of loan proceeds. In connection with the Company's acquisition of Southern Colorado Growers ("SCG"), the Company received an additional $5,000,000 of loan proceeds under the Loan Agreement. The term loan incurs 15% interest per annum, payable quarterly on March 1, June 1, September 1, and December 1 of each year. The Company will be required to make principal payments beginning on June 1, 2023 in the amount of $750,000, payable quarterly with the remainder of the principal due upon maturity on February 26, 2025. The Company's obligations under the Loan Agreement are secured by a first priority security interest in the assets of PBS Holdco LLC ("PBS"), a wholly owned subsidiary of the company and the Company's Colorado manufacturing operation, and the 36 acres of land in Huerfano County, Colorado owned by the Company and designed for indoor and outdoor cultivation (the "Altmore Collateral").

Under the terms of the loan, the Company must comply with certain restrictions and covenants. These include customary events of default and various financial covenants including, maintaining (i) a consolidated fixed charge coverage ratio of at least 1.3 at the end of each fiscal quarter beginning in the first quarter of 2022, and (ii) a minimum of $3,000,000 in a deposit account in which the lender has a security interest. As of March 31, 2023, the Company was in compliance with the requirements described above.

Seller Notes

As part of the Star Buds Acquisitions, the Company entered into a deferred payment arrangement with the sellers in an aggregate amount of $44,250,000, also referred to in this report as "seller note(s)". The seller notes incur 12% interest per annum, payable on the first of every month through November 2025. Principal payments are due in accordance with the following schedule: $13,901,759 on December 17, 2025, $3,474,519 on February 3, 2026, and $26,873,722 on March 2, 2026. The seller notes are secured by a first priority security interest in substantially all of the assets owned by SBUD LLC, a wholly-owned subsidiary of the Company that acquired the Star Buds assets (the "Star Buds Collateral").

Investor Notes

On December 3, 2021, the Company and the Subsidiary Guarantors entered into the Note Purchase Agreement with 31 accredited investors pursuant to which the Company agreed to issue and sell to the investors 13% senior secured convertible notes due December 7, 2026 in an aggregate principal amount of $95,000,000 for an aggregate purchase price of $93,100,000 (reflecting an original issue discount of $1,900,000, or 2%) in the private placement. On December 7, 2021, the Company consummated the private placement and issued and sold the Investor Notes. The Company received net proceeds of approximately $92,000,000 at the closing, after deducting a commission to the placement agent and estimated offering expenses associated with the private placement payable by the Company.

The Investor Notes were issued pursuant to an Indenture, dated December 7, 2021, among the Company, the Subsidiary Guarantors, Ankura Trust Company, LLC as trustee and Chicago Atlantic Admin, LLC as collateral agent for the Investor Note holders. The Investor Notes will mature five years after issuance unless earlier repurchased, redeemed, or converted. The Investor Notes bear interest at 13% per year paid quarterly commencing March 31, 2022 in cash for an amount equal to the amount payable on such date as if the Investor Notes were subject to an annual interest rate of 9%, with the remainder of the accrued interest payable as an increase to the principal amount of the Investor Notes. The proceeds from the Investor Notes are required to be used to fund previously identified acquisitions and other growth initiatives. The principal is due December 7, 2026. The Company's obligations under the Indenture and the Investor Notes are secured by (i) a junior security interest in the Altmore Collateral and the Star Buds Collateral, and (ii) a first priority security interest in all assets owned by the Company and the Subsidiary Guarantors on or after December 7, 2021.

Under the Indenture, the Company must comply with certain restrictions and covenants. These include customary events of default and various financial covenants, including maintaining (i) a consolidated fixed charge coverage ratio of no less than 1.30 to 1.00 at the end of each fiscal quarter, and (ii) a minimum of $10,000,000 (in aggregate) in deposit accounts in

which the Indenture Collateral Agent has a security interest. As of March 31, 2023, the Company was in compliance with the requirements described above.

Nuevo Note

As part of the acquisition under the Nuevo Purchase Agreement, Nuevo Holding, LLC, a wholly-owned subsidiary of the Company, issued the Nuevo Note to RGA requiring the Company to make payments on an aggregate amount of $17,000,000. The deferred Nuevo Note incurs 5% interest per year, payable on the first of each month. The principal is due February 7, 2025. The Nuevo Note is unsecured.

CONTRACTUAL CASH OBLIGATIONS AND OTHER COMMITMENTS AND CONTINGENCIES

Material contractual obligations arising in the normal course of business primarily consist of debt and interest related payments, lease obligations, and purchase price obligations for acquisitions. Management believes that cash flows from operations will be sufficient to satisfy our capital expenditures, debt services, working capital needs, and other contractual obligations for the next twelve months. We may need to obtain additional external financing to meet our material long-term obligations, and management believes the Company will need additional financing to continue execution of its growth strategy in future periods.

The following table quantifies the Company's future contractual obligation as of March 31, 2023:

	Total	2023	2024	2025	2026	2027	Thereafter
Notes Payable (*a*)	$ 176,359,574	$ 2,250,000	$ 3,000,000	$ 40,651,759	$ 130,457,815	$ —	$ —
Interest Due on Notes Payable (*b*)	60,557,262	17,395,558	17,325,242	15,443,743	10,392,719	—	—
Right of Use Assets (*c*)	35,528,050	4,730,948	5,343,579	4,976,285	4,496,205	3,215,732	12,765,301
Cash for Acquisitions (*d*)	6,750,000	6,750,000	—	—	—	—	—
Total	$ 279,194,886	$ 31,126,506	$ 25,668,821	$ 61,071,787	$ 145,346,739	$ 3,215,732	$ 12,765,301

(a) This amount excludes $38,993,243 of unamortized debt discount and $6,182,181 of unamortized debt issuance costs. See Note 11 "Debt" to our consolidated financial statements.

(b) Represents the cash interest accruals owed pursuant to the Loan Agreement, the Investor Notes, the Nuevo Note, and the seller notes. The Investor Notes are convertible into Common Stock freely at the option of the holder and subject to certain restrictions at the option of the Company such that conversion events could impact the interest and accrual obligations related to the Investor Notes in future periods. See Note 11 "Debt" to our consolidated financial statements.

(c) Reflects our contractual obligations to make future payments under all of the Company's leases in effect as of March 31, 2023. See Note 12 "Leases" to our consolidated financial statements.

(d) Represents cash portion of purchase price obligations pursuant to signed purchase agreements for acquisitions not yet consummated.

Critical Accounting Estimates and Recent Accounting Pronouncements

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company believes that of its significant accounting policies (see Note 2 to Financial Statements), the ones that may involve a higher degree of uncertainty, judgment and complexity are revenue recognition, stock based compensation, derivative instruments, income taxes, goodwill and commitments and contingencies are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Revenue Recognition and Related Allowances

We have three main revenue streams: (i) retail sales, (ii) wholesale sales, and (iii) other revenues from revenues from marketing and promotional activities and other miscellaneous sources not otherwise directly related to our retail and wholesale operations. During 2022, we ceased providing licensing and consulting services, strategically discontinued that portion of our business operations, and are no longer providing these services.

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

The Company's other revenue, typically from marketing and promotional services, is recognized when our obligations to our client are fulfilled, which is determined when milestones in the contract are achieved.

Our revenue recognition policy is significant because the amount and timing of revenue is a key component of our results of operations. Certain criteria are required to be met in order to recognize revenue. If these criteria are not met, then the associated revenue is deferred until the criteria are met. A contract liability is recorded when consideration is received in advance of the delivery of goods or services. We identify revenue contracts upon acceptance from the customer when such contract represents a single performance obligation to sell our products.

Stock Based Compensation

We account for share-based payments pursuant to Accounting Standards Codification ("ASC") Topic 718, *Stock Compensation* and, accordingly, we record compensation expense for share-based awards based upon an assessment of the grant date fair value for stock and restricted stock awards using the Black-Scholes option pricing model.

Our stock compensation expense for stock options is recognized over the vesting period of the award or expensed immediately under ASC 718 when stock or options are awarded for previous or current service without further recourse.

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, the Company's 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. Our 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.

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 our 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. Our amortizable intangible assets consist of licensing agreements, product licenses and registrations, and intellectual property or trade secrets. Their estimated useful lives range from 3 to 15 years.

Goodwill and indefinite-lived assets are not amortized but are subject to annual impairment testing unless circumstances dictate more frequent assessments. We perform 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, we determine 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, we rely 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, our risk relative to the overall market, our size and industry and other risks specific to us. 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 our 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 us to perform an impairment test prior to scheduled annual impairment tests.

We performed our annual fair value assessment as of December 31, 2022 on our subsidiaries with material goodwill on our respective balance sheets and recognized a goodwill impairment charge of $11,719,306, of which $3,708,226 is presented under loss from disposal of assets in the accompanying consolidated statements of comprehensive income as it is related to ceased operations during 2022. No additional factors or circumstances existed as of March 31, 2023, that would indicate impairment.

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 SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this 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, the Company filed a complaint against ACC Industries Inc. and Building Management Company B, L.L.C., in state district court located in Clark County, Nevada, alleging, amongst other causes of action, breach of contract, conversion, and unjust enrichment and seeking general, special and punitive damages. On July 17, 2019, the parties stipulated to stay the case in favor of arbitration. On February 25, 2020 ACC Industries Inc. filed a counterclaim against the Company alleging breach of contract. The Company discovered new facts that lead it to believe that a related entity not previously named as a party to the arbitration, ACC Enterprises, LLC ("ACC"), should be brought in as a party to the arbitration. Based upon the new facts, the Company filed a motion to amend the complaint to add new claims and ACC as a party. On September 1, 2020, the arbitrator granted the Company's motion and permitted the Company to amend the complaint to add ACC as a party. On September 1, 2020, the Company filed an amended complaint and added intentional misrepresentation, fraudulent inducement, civil conspiracy, aiding and abetting, successor liability and fraudulent concealment claims. The Company began arbitration proceedings on November 2, 2020. The Company completed arbitration in February 2021. On May 14, 2021, the Arbitrator entered an award in favor of the Company in the aggregate amount of $1,935,273, subject to an offset equal to $150,000, for a total net award of $1,785,273. After the arbitration award was entered, a receiver was appointed over ACC and its affiliates due to the death of the only owner who had a valid cannabis establishment registration agent card. An automatic litigation stay was entered upon the appointment of the receiver. During the receivership, ACC's owners have had internal ownership disputes and ACC has had financial difficulties. The receiver has taken the position that ACC should be liquidated. On April 28, 2022, the receiver received approval from the court to liquidate ACC's assets. On May 24, 2022, upon the completion of a bidding procedure for certain ACC assets, the court approved the sale of certain ACC assets to the only and prevailing bidder. The sale is now completed. On July 26, 2022, the court approved a creditors' claim process. The Company complied with the claim process and its claim was approved by the receiver. The Company believes that it will, or the receiver will, file a motion to begin winding up the receivership and request that the receiver make a preliminary distribution of the proceeds obtained from the asset sale to approved creditors. The Company believes it is the largest creditor and that the asset sale proceeds will be distributed pro rata to creditors with approved claims.

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

There have been no material changes in the risk factors applicable to us from those identified in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the period ended December 31, 2022 filed with the Securities and Exchange Commission on March 29, 2023.

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

The Company is subject to restrictions on the payment of dividends and other working capital requirements in its loan and debt agreements. See Note 11 to the Financial Statements included in Part I to this Report for additional information on the Company's indebtedness and related restrictions therein.

Item 3. ***Defaults Upon Senior Securities***

None.

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

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

2.1 +	Asset Purchase Agreement, dated April 13, 2023, by and among Medicine Man Technologies, Inc., Double Brow, LLC, Standing Akimbo LLC, Spencer Kirson, and John Murphy (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed April 19, 2023 (Commission File No. 000-55450))
2.2 ++	Asset Purchase Agreement, dated April 21, 2023, by and among Medicine Man Technologies, Inc., Evergreen Holdco, LLC, Sucellus, LLC, Brook Laskey, as Representative, and the Equityholders named therein (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed April 26, 2023 (Commission File No. 000-55450))
2.3 *,+	Asset Purchase Agreement, dated January 25, 2023, by and among Medicine Man Technologies, Inc., Smoke Holdco, LLC, Cannabis Care Wellness Centers, LLC, Green Medicals Wellness Center #5, LLC, Thomas Wilczynski, Jeremy Lewchuk, T&B Holdings, LLC, and Thomas Wilczynski as Representative
10.1 #	Employment Agreement dated February 15, 2023, by and between Medicine Man Technologies, Inc. and Christine Jones (Incorporated by reference to Exhibit 10.29 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 29, 2023 (Commission File No. 000-55450))
10.2 #	Employment Agreement dated January 16, 2023, by and between Medicine Man Technologies, Inc. and Forrest Hoffmaster (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed January 19, 2023 (Commission File No. 000-55450))
31.1 *	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2 *	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32 **	Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

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

++ Certain information has been redacted pursuant to Item 601(a)(6) of Regulation S-K. The Company hereby undertakes to supplementally furnish any redacted information to the SEC upon request.

* Filed herewith.

** Furnished herewith.

# Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

Dated: May 11, 2023

MEDICINE MAN TECHNOLOGIES, INC.

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

By: /s/ Forrest Hoffmaster
Forrest Hoffmaster, Chief Financial Officer
(Principal Financial Officer and Chief Accounting Officer)

Exhibit 2.3

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of January 25, 2023 by and among (i) Smoke Holdco, LLC, a Colorado limited liability company ("Buyer"), (ii) Medicine Man Technologies, Inc. (*d/b/a Schwazze)*, a Nevada corporation ("Parent"), (iii) Cannabis Care Wellness Centers, LLC (*d/b/a Smokey's*), a Colorado limited liability company ("Cannabis Care"), (iv) Green Medicals Wellness Center #5, LLC (*d/b/a Smokey's*), a Colorado limited liability company ("Green Medicals," and together with Cannabis Care, "Sellers" and each a "Seller"), (v) Jeremy Ryan Lewchuk ("Lewchuk"), (vi) T&B Holdings LLC, a Colorado limited liability company ("T&B"), and (vii) Thomas Jerome Wilczynski ("Wilczynski," and together with Lewchuk and T&B, "Equityholders" and each an "Equityholder"), and (viii) Thomas Jerome Wilczynski in his capacity as the Representative of the Seller Parties (as defined herein) ("Representative"). Buyer, Parent, Sellers, Equityholders, and Representative are sometimes referred to herein as the "Parties" and each, as a "Party." Capitalized terms used but not otherwise defined in this Agreement have the meanings set forth on Exhibit A attached hereto.

A. Equityholders collectively hold all of the issued and outstanding equity securities of each Seller as set forth on Schedule 3(c)(i).

B. Sellers are engaged in the business of owning and operating the retail and medical marijuana stores set forth opposite each Seller's name in the table below pursuant to the Permits issued by the Governmental Authorities set forth below (collectively, the "Business," and each license set forth below, a "Purchased License"):

Seller	Business Conducted	Location	Purchased License
Cannabis Care	Retail Marijuana Store	2515 7th Ave., Garden City, CO 80631 (the "Garden City Location")	State of Colorado License: 402R-00169 Local License: RL-2515-23
Cannabis Care	Medical Marijuana Center	The Garden City Location	State of Colorado License: 402-00419 Local License: ML-2515-23
Green Medicals	Retail Marijuana Store	5740 S. College Ave. Fort Collins, CO 80525 (the "Fort Collins Location")	State of Colorado License: 402R-00554 Local License: 14009.1-RMJS
Green Medicals	Medical Marijuana Center	The Fort Collins Location	State of Colorado License: 402-00858 Local License: 13007.1-MMJS

C. In addition to the Purchased Licenses, each Seller owns the following licenses, as applicable, which will be relocated following the Closing (collectively, the "Relocated Licenses"):

Seller	Business Conducted	Location	Relocated License
Cannabis Care	Retail Marijuana Cultivation Facility	The Garden City Location	State of Colorado License: 403R-00221 Local License: MCF-2515-23
Green Medicals	Medical Marijuana Facility	The Garden City Location	State of Colorado License: 403-01326 Local License: MM-CF-2515-23

D. In addition to the Purchased Licenses and Relocated Licenses, each Seller owns the following licenses, as applicable, which are not included in the Purchased Licenses or Purchased Assets (as defined herein) (collectively, the "Retained Licenses"):

Seller	Business Conducted	Location	Retained License

CC Trinidad LLC (*d/b/a Trinidad Gardens*) ("CC Trinidad")	Retail Marijuana Store	422 N. Commercial St. Trinidad, CO 81082 (the "Trinidad Location", and together with the Garden City Location and Fort Collins Location, the "Locations")	State of Colorado License: 402R-00389 Local License: 2022-019R
CC Trinidad	Retail Marijuana Cultivation Facility	The Trinidad Location	State of Colorado License: 403R-00443 Local License: 2022-018R
CC Trinidad	Medical Marijuana Center	The Trinidad Location	State of Colorado License: 402-00949 Local License: 2022-002M
CC Trinidad	Medical Marijuana Cultivation	The Trinidad Location	State of Colorado License: 403-01495 Local License: 2022-001M

D. Each Seller desires to sell, and Buyer desires to purchase, all of the assets of each Seller related to, or which are used in or held for use in connection with, the operation of the Business, pursuant to the terms set forth herein.

E. Each Seller will relocate the Relocated Licenses, as applicable and in accordance with the terms and conditions of this Agreement.

F. Each Seller will retain the Retained Licenses, as applicable, which will not be purchased by Buyer or surrendered in connection with this Agreement and the transactions contemplated hereby.

ARTICLE I.
PURCHASE AND SALE OF PURCHASED ASSETS; ASSUMPTION OF ASSUMED LIABILITIES

Section 1.1. Purchased Assets; Excluded Assets.(a) Purchased Assets. Pursuant to the terms set forth herein, at the Closing, each Seller will sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase, acquire and accept from each Seller, all of the tangible and intangible assets of such Seller related to, or used in or held for use in connection with, such Seller's portion of the Business, other than the Excluded Assets but including the assets of the applicable Seller set forth on Schedule 1.1(a) (collectively, the "Purchased Assets"), free and clear of all Encumbrances.

(b) Excluded Assets. Notwithstanding anything in this Agreement to the contrary, the Purchased Assets will not include any assets set forth on Schedule 1.1(b) (the "Excluded Assets").

Section 1.2. Assumed Liabilities; Excluded Liabilities.(a)Assumed Liabilities. Pursuant to the terms set forth herein, at the Closing, Buyer will assume only the Liabilities of Sellers specifically identified on Schedule 1.2(a) (collectively, the "Assumed Liabilities").

(b) Excluded Liabilities. Except for the Assumed Liabilities, Buyer will not assume, and the applicable Seller will pay, defend, discharge and perform, as and when due, and otherwise retain and remain solely responsible for, all Liabilities that are not expressly included in the Assumed Liabilities, including the Liabilities set forth on Schedule 1.2(b) (such excluded Liabilities, the "Excluded Liabilities").

ARTICLE II.
PURCHASE PRICE AND RELATED MATTERS

Section 2.1. Purchase Price. The aggregate consideration payable by Buyer to the Seller Parties for the Purchased Assets is (a) an amount payable in immediately available funds equal to $3,750,000 (the "Cash Consideration"), (b) a number of shares of Parent Common Stock payable to Equityholders, on behalf of Sellers, equal to the quotient of (i) $3,150,000 divided by (ii) the Per Parent Share Price (the "Stock Consideration") and (c) the Deferred Shares issuable pursuant to the terms of Section 2.2(b) (subject to Section 8.1(e)) (clauses (a) through (c), the "Purchase Price"). Payment of Purchase Price at the Closing. At the Closing, and subject to the satisfaction or waiver of all of the conditions set forth in Section 6.1 and Section 6.2: Cash Consideration. Buyer will pay, or cause to be paid, the following amounts to the following Persons from the Cash Consideration:

(i) the aggregate amount of Indebtedness identified in the Payoff Letters (the "Closing Date Repaid Indebtedness") pursuant to, and in the amounts and to the Persons specified in, the respective Payoff Letters;

(ii) the aggregate amount of the Seller Transaction Expenses (including the Seller Shaw Payment) identified in the Seller Transaction Expenses Invoices (the "Closing Date Seller Transaction Expenses") pursuant to, and in the amounts and to the Persons specified in, the respective Seller Transaction Expenses Invoices; and

(iii) an amount equal to (A) the Cash Consideration, minus (B) the Closing Date Repaid Indebtedness, minus (C) the Closing Date Seller Transaction Expenses, minus (D) the Cash Holdback Amount, to Sellers in accordance with each such Seller's Pro Rata Portion, by wire transfer of immediately available funds to the account of each Seller designated by such Seller in writing prior to the Closing Date.

(b) Stock Consideration and Deferred Shares. At the Closing, Parent will issue to each Equityholder such Equityholder's Pro Rata Portion of the Stock Consideration. Subject to Section 8.1(e), within ten Business Days after the date that is 18 months after the Closing Date (the "Release Date"), Parent will issue a number of additional shares of Parent Common Stock (collectively, the "Deferred Shares") (rounded down to the nearest whole share) to Equityholders (on behalf of the Sellers) in accordance with their Pro Rata Portions equal to the quotient of: (i) an amount of (1) $600,000 *minus* (2) an amount equal to any amounts which have already been determined are necessary to compensate any Buyer Indemnified Party for Damages as provided in Section 8.1 and which such Buyer Indemnified Party has not, as of such time, recovered from another source of recovery pursuant to Section 8.1(d), *divided by* (ii) the Per Parent Share Price. For the avoidance of doubt, all issuances of Parent Common Stock made to Equityholders pursuant to this Agreement (including the Deferred Shares) is for convenience purposes only, and all such issuances will be treated, including for all applicable Tax purposes, as being paid to Sellers in their Pro Rata Portion first and then distributed by each applicable Seller to the Equityholders (or if any Seller is liquidated, dissolved or otherwise ceases its existence prior to the issuance of any Deferred Shares, such Seller will be treated as distributing any right to receive the applicable Deferred Shares pursuant to this Agreement to the Equityholders upon such liquidation, dissolution or upon otherwise ceasing to exist). The Parties agree to file all Tax Returns in a manner consistent with the foregoing sentence.

(c) Cash Holdback Amount. Buyer will hold back $150,000 (the "Cash Holdback Amount"), from the proceeds of the Purchase Price payable at the Closing for purposes of securing certain obligations of the Seller Parties as set forth herein. The Cash Holdback Amount will be held back and then released pursuant to the terms and conditions of this Agreement (including Section 8.1(e)).

Section 2.3. Financial Requirements; Post-Closing Adjustments.

(a) Financial Requirements.

(i) Minimum Marijuana Inventory. At the Closing, the aggregate value of Marijuana Inventory included in the Purchased Assets located at the Locations and delivered to Buyer will be not less than $50,000 for the Garden City Location and not less than $50,000 for the Fort Collins Location, in each case, calculated at actual cost-basis, which is equal to the last purchase price paid by the applicable Seller to purchase the applicable Marijuana Inventory or the applicable Seller's cost of goods sold in manufacturing the applicable Marijuana Inventory, as applicable (the "Minimum Marijuana Inventory"); and

(ii) Minimum Cash. At the Closing, the unrestricted cash included in the Purchased Assets and delivered to Buyer at Closing will not be less than $100 in each point-of-sale system contained in each of the Locations (the "Minimum Cash").

(b) Post-Closing Adjustments. Within 60 days of the Closing Date, Buyer will prepare its calculation of the Marijuana Inventory based on the Sellers' respective METRC inventory tracking reports reflecting the Inventory at the Closing, and the cash actually delivered by Sellers to Buyer at the Closing (the "Closing Statement") and deliver the Closing Statement to Representative for Representative's review. Representative and Representative's professional advisors will have, upon request, reasonable access during regular business hours to Buyer's books and records to the extent necessary for such review. During a period of ten days following Buyer's delivery of the Closing Statement to Representative (the "Objection Period"), if Representative disagrees with any item set forth in the Closing Statement, Representative will give written notice (the "Objection Notice") to Buyer within the Objection Period, specifying in reasonable detail Representative's disagreement with any such item set forth on the Closing Statement. The Objection Notice must specify those items or amounts as to which Representative disagrees, and Representative and each Seller will be deemed to have agreed with all other items contained in the Closing Statement. If Representative does not deliver an Objection Notice within the Objection Period, then Representative and each Seller will be deemed to have agreed entirely with items set forth on the Closing Statement. If an Objection Notice is delivered within the Objection Period, (i) in the 30-day period following delivery of the Objection Notice, Buyer and Representative will use reasonable efforts to reach an agreement on the disputed items or amounts set forth in the Objection Notice and (ii) if Buyer and Representative are unable to reach an agreement during such 30-day period with respect to all disputed items or amounts, such disputed items or amounts will be resolved by an independent certified public accounting firm ("Settlement Accountant"), to be mutually agreed upon by the Parties. Such costs of the Settlement Accountant will be borne equally by Buyer, on the one hand, and Sellers, on the other hand. If the Minimum Marijuana Inventory or the Minimum Cash exceeds the actual Marijuana Inventory or the cash actually delivered by Sellers to Buyer, respectively, in each case, as set forth on the final Closing Statement as finally determined pursuant to this Section 2.3(b) (the aggregate amount of any such deficiency or deficiencies, a "Deficiency"), Buyer will satisfy the Deficiency from the Cash Holdback Amount by releasing an amount equal to the Deficiency from the Cash Holdback Amount to Buyer.

(c) Purchase Price Allocation; Purchased Assets. For Tax purposes, the Parties agree to allocate the Purchase Price and the Assumed Liabilities (and any other items that are treated as consideration paid by Buyer for applicable Tax purposes) as of the Closing Date among the Purchased Assets pursuant to Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), and the methodology set forth on Section 2.3(c) (the "Allocation Schedule")), which allocation will be binding on Buyer, Parent, each Seller and each Equityholder. Buyer, Sellers and Equityholders will file Tax Returns in a manner consistent with the Allocation Schedule.

(d) Tax Withholding. Buyer and its Affiliates will be entitled to deduct and withhold from any payment contemplated by this Agreement such amounts as are required to be deducted and withheld with respect to the making of such payment under the Code, or any provision of state, local or non-U.S. Tax Law. To the extent that amounts are so withheld, such amounts will be treated for all purposes hereof as having been paid to Sellers or such other Person in respect of whom such withholding or deduction was made.

Section 2.4. Governmental Authority Fees. Buyer shall timely pay the Application Fees. If any Permit associated with the Purchased Assets will expire prior to the Closing, Seller shall timely pay the Renewal Fees.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SELLERS AND EQUITYHOLDERS

Section 3. Representations and Warranties of Seller and Equityholders. Each Seller and each Equityholder jointly and severally represents and warrants to Buyer and Parent, as of the date hereof and as of the Closing, as follows:

(a) Organization; Authority. Each Seller is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Colorado. Each Seller has full limited liability company power and authority, and each Equityholder has the full limited liability company power and authority or individual capacity, as applicable, to enter into this Agreement and the Related Agreements to which such Seller Party is, or at the Closing will be, a party, to carry out such Seller Party's obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each Seller Party of this Agreement and any other Related Agreement to which such Seller Party is, or at the Closing will be, a party, the performance by such Seller Party of its respective obligations hereunder and thereunder, and the consummation by such Seller Party of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate, board, limited liability company, manager, debtholder and equityholder action on the part of each Seller Party. This Agreement and the Related Agreements to which any Seller Party is, or at the Closing will be, a party, constitute or will constitute, as applicable, legal, valid and binding obligations of such Seller Party, enforceable against such Seller Party pursuant to their respective terms.

(b) Non-Contravention. No Seller Party's execution, delivery or performance of this Agreement or any Related Agreement to which such Seller Party is, or at the Closing will be, a party, or the consummation of the transactions contemplated hereby or thereby, (i) constitutes or will constitute a breach, violation or infringement of such Seller Party's governing documents (as applicable), (ii) constitute or will constitute a breach or violation of or a default under (with or without due notice or lapse of time or both) any Law, Order or other restriction of any Governmental Authority to which any Seller Party, the Business or any of any Seller's assets or properties (including any Purchased Asset) is subject, (iii) conflicts or will conflict with, results or will result in a breach of, constitutes or will constitute a default under, results or will result in the acceleration of, creates or will create in any party the right to accelerate, terminate, modify or cancel, or will terminate, modify or cancel, or requires or will require any notice under, any Contract or Permit to which any Seller Party is a party or by which any Seller Party is bound or by which the Business or any of any Seller's assets or properties (including any Purchased Asset) is bound or affected, (iv) result or will result in the creation or imposition of any Encumbrance upon any of any Seller's assets or properties (including any Purchased Asset), or (v) require or will require any approval, license, certificate, consent, waiver, authorization, novation, notice or other Permit of or to any Person, including any Governmental Authority or any party to any Contract, except for any such approval, license, certificate, consent, waiver, authorization, novation, notice or other Permit that has been obtained or made prior to the Closing, each of which is listed on Schedule 3(b).

(c) Each Seller's Equity. All of the issued and outstanding equity securities of each Seller are, and will on the Closing Date be, owned 100% by Equityholders as set forth on Schedule 3(c)(i). Except a set forth on Schedule 3(c)(ii), no Seller has any subsidiaries, other Affiliates or investments in any other Person or business. Except as set forth on Schedule 3(c)(iii), there are no Contracts between any Seller or any Affiliate of any Seller, on the one hand, and any Equityholder or any Affiliate of any Equityholder, on the other hand, that relate to or are used related to the Purchased Assets. Sellers have certain outstanding rights and obligations under the Trinidad Agreement, none of which are related to or affect in any manner the Purchased Assets, the Business, or the Assumed Liabilities or impose any Liability on Buyer.

(d) Compliance with Laws. Except as set forth on Schedule 3(d), each Seller Party has at all times complied, and currently are in compliance, in all material respects, with all applicable Laws (without reference to any cannabis-related provisions of the United States Controlled Substances Act ("CSA")) in the conduct of the Business prior to the Closing and in connection with the execution, delivery and performance of this Agreement and the Related Agreements and the transactions contemplated hereby or thereby. Each Seller at all times has complied with, and currently is in compliance with, (i) all MED rules, including emergency rules and industry bulletins, in each case, as they are released, (ii) all applicable U.S. state and local Laws governing or pertaining to cannabis (including marijuana, hemp and derivatives thereof, including cannabidiol), and (iii) all U.S. federal Laws regarding cannabis except to the extent that the U.S. federal law conflicts with applicable U.S. state and local Laws.

(e) Title. Each Seller has good and valid title to all of the Purchased Assets owed by such Seller, free and clear of all Encumbrances.

(f) Contracts. Schedule 3(f)(i) contains a schedule of all Contracts to which any Seller is a party, including the names of all parties to each Contract and the effective dates thereof. No Seller is in default or alleged to be in default under any such Contract nor, to Sellers' Knowledge, does any default by any other party to any such Contract exist. Further, there exists no event, condition or occurrence which, after notice or lapse of time, or both, would constitute a default under any such Contract. No Seller is party to any Contract that contains restrictive covenants, including change of control provisions, non-solicit provisions, non-compete provisions,

most favored nations provisions or exclusivity provisions that are binding on any Seller or the Business. All of such Contracts are in full force and effect and constitute legal, valid and binding obligations of the parties thereto pursuant to their terms, and, except as set forth on Schedule 3(f)(ii), are capable of assignment to Buyer pursuant to this Agreement without any notice to or consent by any other Person. Buyer has been provided a true, complete and correct copy of each Contract.

(g) Condition; Sufficiency. The tangible Purchased Assets (i) are in good condition and working order and free from material defects, patent or latent, (ii) have been maintained pursuant to good industry practice, (iii) are in good operating condition and repair, ordinary wear and tear excluded, and (iv) are suitable and sufficient for the purposes for which they are used. The Purchased Assets constitute all of the properties and assets necessary for Buyer to operate the Business in substantially the same manner as conducted by each Seller during the 12 months immediately preceding the Closing Date, as currently proposed to be conducted or as required by applicable Law.

(h) No Liabilities. Schedule 3(h) lists all Indebtedness of each Seller outstanding as of the date hereof. Except for Liabilities which will be paid off and discharged in full by the applicable Seller prior to the Closing Date, no Seller has any, and at the Closing will not have any, Liabilities which relate to, encumber, bind or otherwise restrict the Purchased Assets, including Liabilities which may become known or arise only after the Closing Date and which result from actions, events or occurrences on or prior to the Closing Date.

(i) Legal Proceedings. Except as set forth in Schedule 3(i), there is no Legal Proceeding pending, threatened in writing, or, to Sellers' Knowledge, threatened orally, against any Seller Party that, if adversely determined, would adversely affect the Business or the prospects, operations, employment, customer or supplier relationships, earnings, properties or the condition, financial or otherwise, of the Purchased Assets nor is there any Order of any Governmental Authority outstanding against any Seller or any Equityholder having, or which, insofar as can be reasonably foreseen, in the future may have, any such effect.

(j) Environmental. Each Seller at all times has been, and currently is, in compliance with and has not violated any environmental Laws. No Seller has generated, manufactured, recycled, reclaimed, refined, transported, treated or otherwise used hazardous substances or wastes or other dangerous or toxic substances, or solid wastes, and there has been no release or threatened release of any hazardous substances on or off any of any Seller's property or any other location or facility used or occupied by any Seller. To Sellers' Knowledge, no Seller's property contains in-ground, below or underground storage tanks or containers, either in or not in use. To Sellers' Knowledge, no employee or former employee of any Seller (or of any current or former subsidiary or other Affiliate) has been exposed to any hazardous material. No Seller has caused or experienced past or present events, conditions, circumstances, plans or other matters that: (i) are not in compliance with all environmental Laws; or (ii) may give rise to any statutory, common law or other legal Liability, or otherwise form the basis of any Legal Proceeding based on or relating to hazardous materials. No Seller Party has received any notice or indication from any Person advising such Person that any Seller is or may be responsible for any investigation or response costs with respect to a release, threatened release or cleanup of chemicals or materials.

(k) Taxes. Each Seller has duly and timely filed (and, prior to the Closing Date, will duly and timely file those currently not due) all Tax Returns required to be filed, all of which were prepared pursuant to applicable Laws and all of which are true correct and complete, for all years and periods (and portions thereof) and for all jurisdictions (whether federal, state, local or non-U.S.) in which any Tax Returns were due, taking into account any extensions granted under Law. Each Seller has withheld and timely paid all Taxes required to be withheld or paid by it and, prior to the Closing Date, will timely pay any Taxes required to be paid by it as of such time. All applicable sales, use, excise and similar Taxes, to the extent due, were paid by the applicable Seller when the Purchased Assets were acquired by such Seller, and each Seller has collected and paid all applicable sales, use, excise and similar Taxes required to be collected and paid by such Seller on the sale of products or taxable services by such Seller. There are no existing Encumbrances for Taxes upon any of the Purchased Assets. No claim has ever been made by any Governmental Authority in a jurisdiction where any Seller does not file a particular type of Tax Return or pay a particular type of Tax that any Seller is or may be required to file such Tax Return in that jurisdiction or subject to Tax by such jurisdiction. There is no dispute, audit, examination, investigation or claim concerning any Tax Liability of any Seller and no action, suit, proceeding or audit has been threatened against or with respect to any Seller regarding Taxes. No Seller has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. No deficiency for any amount of Tax has been asserted, written or orally, or assessed by a Governmental Authority against any Seller, and no Seller reasonably expects that any such assertion or assessment of Tax liability will be made. Each Seller has always been properly treated as a partnership for federal and applicable state and local income tax purposes. No "excess parachute payment," as defined in Section 280G of the Code (or any similar provision of other applicable Law) will or could result as a direct or indirect result of the transactions contemplated by this Agreement.

(l) Benefits. Schedule 3(l) contains a list of all Employee Benefit Plans, and Buyer has been provided with true, correct and complete copies of all such plans (and all amendments thereto). Each Employee Benefit Plan has been established, documented, maintained, administered, operated and funded in all material respects in accordance with its terms and in compliance with all applicable Laws. No Seller has ever sponsored, maintained, contributed to, or been required to contribute to, and no Seller has any and could have any current or future Liability (including any contingent Liability and including on account of having ever had an ERISA Affiliate) under or with respect to, (i) any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA, whether or not subject to ERISA), including any group health plan, (ii) any "employee pension benefit plan" (as defined in Section 3(2) of ERISA, whether or not subject to ERISA) or any other retirement plan, including any such plan that is (or, at any time was) subject to Section 302 or 303 of ERISA, Title IV of ERISA or Section 401(a), 401(k), 408(k), 408(p), 412 or 430 of the Code, or (iii) any "multiemployer plan" (as defined in Section 3(37) or 4001(a)(3) of ERISA or 414(f) of the Code). No Seller has incurred (whether or not assessed), and there

exists no condition or set of circumstances in connection with which any Seller, Buyer or any of their respective Affiliates could incur, directly or indirectly, any penalty, Tax, fine, Encumbrance or Liability under ERISA (including Sections 409, 502(i) and 502(l) thereof) or Section 4975, 4980B, 4980D, 4980H, 5000, 6721 or 6722 of the Code. Seller has no current or contingent Liability as a result of at any time having an ERISA Affiliate.

(m) Employees. Each Seller at all times has been, and currently is, in compliance in all material respects with all applicable Laws related to employment and employment practices, terms of employment and wages and hours. No Seller has experienced any strikes or work stoppages. There is no collective bargaining relationship between any Seller, on the one hand, and any union, on the other hand, covering any employee of any Seller, no past or pending allegation of unfair labor practices, and no dispute or controversy with any union or other organization purporting to represent any of any Seller's employees. Except as set forth in Schedule 3(m)(i), there are no Legal Proceedings pending, threatened in writing, or, to Sellers' Knowledge or the knowledge of any Equityholder, threatened orally, involving a dispute or controversy between any Seller, on the one hand, and any of any Seller's current or former employees, on the other hand. Schedule 3(m)(ii) includes a true, correct and complete list of each Seller's employees, contractors and consultants as of January 6, 2023, and, for each such Person as of January 6, 2023, such Person's job title, date of hire or engagement, work location, status as active or on leave (including the type of leave and anticipated return date), current base salary or hourly wage rate as applicable, current classification as exempt or non-exempt with respect to Laws governing overtime and minimum wages, full time or part-time status, visa status (including type of visa), if applicable, accrued and unused vacation time, and earned or eligible commission, bonus or any other compensation (if applicable).

(n) Intellectual Property. Except as set forth on Schedule 3(n), no Seller owns any material IP related to the Business. All Registered IP is in full force and effect; is valid, subsisting and enforceable; and has been obtained and maintained in compliance with all applicable rules, policies and procedures of the applicable Governmental Authorities. Each Seller is the sole and exclusive owner of the entire right, title and interest in and to such Seller's Owned IP free and clear of all Encumbrances. The Seller IP does not infringe, misappropriate or otherwise violate (collectively, "Infringe(s)") any Person's IP (and has not done so). No Person Infringes the Seller IP (and has not done so). There is no Legal Proceeding pending or threatened, pertaining to any Seller IP; and there is no reasonable basis for any such Legal Proceeding.

(o) Information Technology Systems. All of the computer and network equipment, software and services used or relied upon by any Seller (collectively, "Systems"): (i) are in good working order; (ii) are free of any material defects, bugs and errors; (iii) do not contain or make available any disabling software, code or instructions, spyware, Trojan horses, worms, viruses or other software routines that permit or cause unauthorized access to, or disruption, impairment, disablement, or destruction of any software, data or other materials; and (iv) are sufficient for the existing needs of the Business.

(p) Privacy. Each Seller's Processing of Personal Information is and at all times has been in accordance with: all Laws; its privacy policies, documents, and promises or representations presented to or impliedly agreed to with employees, consumers or customers (actual or potential), or other Persons; and any of its Contract obligations (collectively, "Privacy Obligations"). There has been no loss, damage, unauthorized access, use, modification or other misuse of any data or information Processed by any Seller ("Seller Data"). No Seller has received notice of and there are no past, pending or threatened Legal Proceedings related to the Processing of Seller Data or any Privacy Obligations, and there is no reasonable basis for any such claim or Legal Proceeding. Except for disclosures of Personal Information required by applicable Law, no Seller has sold, leased or otherwise made available to any third party any Personal Information. The transfer of any Personal Information to Buyer, and Buyer's use of such information to carry on the Business, will not violate any Privacy Obligations.

(q) Products. All products and services sold, provided or made available by each Seller (collectively "Products"): (i) have conformed with all applicable Laws (without reference to any cannabis-related provisions of the CSA), Contracts and all applicable express and implied warranties; (ii) with respect to any Products grown or manufactured by any Seller Party or any of their Affiliates, have not been adulterated or misbranded (without reference to any cannabis-related provisions of the CSA, and without reference to adulteration or misbranding by inclusion of cannabis or cannabis-derived ingredients pursuant to the federal Food, Drug, and Cosmetics act, 21 U.S.C. §§301, et. seq., and its enacting regulations (the "FD&CA")), (iii) with respect to any Products grown or manufactured by a Person other than the Seller Parties or any of their respective Affiliates, to Sellers' Knowledge, have not been adulterated or misbranded (without reference to any cannabis-related provisions of the CSA and without reference to adulteration or misbranding by inclusion of cannabis or cannabis-derived ingredients pursuant to the FD&CA) and (iv) to the extent applicable, are free from contamination or defects. Each Seller has at all times been in compliance with all Laws (other than the CSA and the FD&CA) and Contracts applicable to the sale and marketing of all Products. No Person has provided any notice, made any claim, or commenced any Legal Proceeding concerning any Product, and there is no reasonable basis for any such claim or Legal Proceeding.

(r) Product and Service Liabilities. There exist no pending, whether known or unknown, or threatened claims against any Seller for injury to any Person or property, whether or not suffered as a result of the sale of any product or performance of any service by any Seller.

(s) Financial Statements and Accounts Receivable. Schedule 3(s)(i) contains (collectively, the "Financial Statements"): (i) balance sheets and statements of income of each Seller as of December 31 for each of the years 2021 and 2020; and (ii) balance sheets and statements of income of each Seller for the nine-month period ended September 30, 2022. The Financial Statements are complete and accurate and fairly present the financial position and results of operations of each Seller as of the respective dates thereof, all pursuant to GAAP consistently applied throughout the periods indicated, except as disclosed on Schedule 3(s)(ii). All

of the Accounts Receivable have arisen from bona fide transactions in the Ordinary Course of Business and are current and fully-collectible, net of the allowance for doubtful accounts set forth on the Financial Statements, in accordance with their terms and their recorded amounts. None of the Accounts Receivable are subject to any material counterclaim or setoff. All reserves, allowances, and discounts with respect to the Accounts Receivable were and are adequate and were established consistent with reserves, allowances, and discounts previously maintained by any Seller in the Ordinary Course of Business.

(t) No Changes. Except as set forth on Schedule 3(t), since January 1, 2022, there has not been (i) any adverse change in the assets, Liabilities, business, prospects, condition, financial or otherwise, employee, customer or supplier relationships, or operations of any Seller, which individually or in the aggregate have caused a loss or damages, or could reasonably be expected to cause a loss or damage to the Business or any Purchased Asset in an amount exceeding $10,000; (ii) any damage, destruction or loss, whether covered by insurance or not, adversely affecting the Purchased Assets or the Business; (iii) any increase in the compensation payable or to become payable to any employees or independent contractors or any adoption of or increase in any bonus, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any such Person; (iv) any entry into any commitment or transaction outside the Ordinary Course of Business; (v) any change by any Seller in accounting methods, practices or principles, including with respect to collecting Accounts Receivable; (vi) any termination or waiver of any rights of value to the Business; (vii) any other transaction or event other than in the Ordinary Course of Business; (viii) any transaction or conduct concerning the Business or the Purchased Assets outside the Ordinary Course of Business inconsistent with such Seller's past business practices; (ix) any adoption or amendment of any collective bargaining, bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, or other plan, agreement, trust, fund or arrangement for the benefit of any employee of any Seller; (x) any other occurrence, action or event which, if it had occurred or taken place after the date hereof would be prohibited by Section 5.1(c); or (xi) any Contract made or entered into to do any of the foregoing.

(u) Certain Payments. Except as set forth on Schedule 3(u), no Seller Party, any Affiliate of any Seller Party, any director, manager, officer, employee or agent of any Seller Party, or any other Person acting on behalf of or associated with any Seller Party, acting alone or together, has (i) received, directly or indirectly, any rebates, payments, commissions, promotional allowances or any other economic benefit, regardless of its nature or type, from any customer, supplier, trading company, shipping company, governmental employee or other entity or individual with whom any Seller has done business directly or indirectly; or (ii) directly or indirectly, given or agreed to give any gift or similar benefit to any customer, supplier, trading company, shipping company, governmental employee or other Person who is or may be in a position to help or hinder the business of any Seller (or assist any Seller in connection with any actual or proposed transaction) which (A) might subject any Seller to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (B) if not given in the past, might have had an adverse effect on the assets, business or operations of any Seller, or (C) if not continued in the future, might adversely affect the assets, business, operations or prospects of any Seller or which might subject any Seller to suit or penalty in any Legal Proceeding.

(v) Suppliers. No supplier of any Seller that has provided goods or services to such Seller representing, individually or in the aggregate, more than $10,000 in payments or commitments within the last 12 months has (i) ceased, or indicated any intention to cease, doing business with such Seller, or (ii) changed or indicated any intention to change any terms or conditions for future sales of products or services from the terms or conditions that existed with respect to the purchase of such products or services during the 12-month period ending on the date hereof.

(w) Permits. Each Seller has maintained in full force and effect, and has complied, and currently is in compliance, with, all Permits and has filed all registrations, reports and other documents that, in each case, are necessary or required for the operations of each Seller or the conduct of the Business as currently operated, or the ownership, lease, use or operation of the assets or properties of the Business. Schedule 3(w) lists all such Permits, including all Permits associated with the Leased Real Property, and the license numbers set forth on such schedule for each such Permit are accurate, correct and complete. There is no Legal Proceeding pending or Order outstanding, threatened in writing, or, to Sellers' Knowledge, threatened orally against any Seller that would reasonably be expected to adversely affect any such Permit, and, to Sellers' Knowledge, there are no facts or circumstances that could reasonably be expected to result in any such Permits being suspended or revoked or otherwise lapsing prematurely. Such Permits will be assigned to Buyer at the Closing and will continue to be in full force and effect following the Closing until the expiration of such Permits pursuant to their respective terms.

(x) Real Property. Except as set forth in Schedule 3(x), no Seller owns, or has never owned, any real property (including any ownership interest in any buildings or structures and improvements located thereon). No Seller is obligated or bound by any options, obligations or rights of first refusal or contractual rights to sell, lease or acquire any real property. Schedule 3(x) sets forth a true, complete and correct list of all Contracts pursuant to which any Seller leases, subleases, licenses, uses, operates or occupies or has the right to lease, sublease, license, use, operate or occupy, now or in the future, any real property (each, whether written, oral or otherwise, a "Real Property Lease," and any real property, land, buildings and other improvements covered by the Real Property Lease, "Leased Real Property"), and for each such Real Property Lease, the address of the Leased Real Property that is the subject of such Real Property Lease. No Seller has assigned, transferred or pledged any interest in any Real Property Lease. There are no leases, subleases, licenses or other Contracts granting to any Person other than the applicable Seller any right of use or occupancy of any portion of the Leased Real Property. All of the land, buildings, structures and other improvements used by any Seller are included in the Leased Real Property. No Seller has exercised any option or right to terminate, renew or extend or otherwise affect any right or obligation of the tenant with respect to any of the Leased Real Properties or to purchase any of the Leased Real Property. The applicable Seller has good and marketable leasehold title to each parcel of Leased Real Property, in each case, free of all Encumbrances. No Seller has received

any written notice, or to Sellers' Knowledge, oral notice of any violation of Laws with respect to any Real Property Lease or any Leased Real Property. There are no pending, threatened in writing, or, to Sellers' Knowledge, threatened orally or contemplated Legal Proceedings regarding the Leased Real Property.

(y) Brokers. Except for the Seller Shaw Payment, no Seller nor any Person acting on any Seller's behalf (including any Equityholder) has employed or engaged any financial advisor, broker or finder or incurred any Liability for any financial advisory, brokerage or finder's fee or commission in connection with this Agreement, the Related Agreements or the transactions contemplated hereby or thereby for which Seller or any of its Affiliates is or may become liable.

(z) Investment Representations. (i) Each Equityholder is acquiring the Parent Common Stock for investment for such Equityholder's own accounts only, not as a nominee or agent, and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended, and in effect from time to time, and the rules and regulations promulgated thereunder (collectively, the "Securities Act"); (ii) no Seller Party has any present intention of selling, granting any participation in, or otherwise distributing the Parent Common Stock and no Seller Party has any Contract with any Person to sell, transfer or grant participations to such Person or to any other Person with respect to any of the Parent Common Stock; (iii) at no time was any Seller Party presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the offer, sale and purchase of the Parent Common Stock by Buyer, Parent or their agents or Affiliates; (iv) each Seller Party is, or at the Closing will be, an accredited investor, as defined in Rule 501(a) of Regulation D promulgated under the Securities Act; (v) each Seller Party has been furnished with, and has had access to, such information as such Seller Party considers necessary or appropriate in connection with the acquisition of the Parent Common Stock, and each Seller Party has had an opportunity to ask questions and receive answers from Buyer and Parent regarding the terms and conditions of the delivery of the Parent Common Stock; (vi) each Seller Party has knowledge and experience in financial and business matters and acknowledges it is capable of evaluating the merits and risks of this prospective investment, has the capacity to protect its own interests in connection with the transactions contemplated by this Agreement, and is financially capable of bearing a total loss of the Parent Common Stock; (vii) each Seller Party has knowledge of and understands: (A) the highly speculative nature of the Parent Common Stock; (B) the financial hazards involved; (C) the lack of liquidity of the Parent Common Stock; and (D) the Tax consequences of receiving and owning the Parent Common Stock; (viii) the Parent Common Stock has not been, and will not be, registered under the Securities Act, by reason of a specific exclusion from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of each Seller Party's representations and warranties as expressed herein. Each Seller Party understands that the Parent Common Stock constitute "restricted securities" under applicable U.S. federal and state securities Laws and that, pursuant to these Laws, each Seller Party must hold the Parent Common Stock indefinitely unless they are registered with the Securities Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Each Seller Party acknowledges that Buyer has no obligation to register or qualify the Parent Common Stock for resale. Each Seller Party further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements, including the time and manner of sale, the holding period for the Parent Common Stock, and on requirements relating to Buyer which are outside of such Seller Party's control. Each Seller Party has knowledge of the provisions of Rule 144 promulgated under the Securities Act.

(aa) No Untrue Statements. To Sellers' Knowledge, no document, delivery, certificate, representation or warranty made by any Seller Party in or pursuant to this Agreement or any Related Agreement contains any untrue statement of a material fact or fails to state a material fact necessary to make the statements herein complete or not misleading.

(bb) Exclusivity of Representations. Except for the representations and warranties set forth in this Article III and any Related Agreement, no Seller Party has made or makes any other express or implied representation or warranty, on behalf of any Seller Party. Other than the representations and warranties set forth in this Article III (including Section 3(g)) or in any Related Agreement, Buyer waives the implied warranties of merchantability and fitness for a particular purpose regarding the Purchased Assets. Notwithstanding the foregoing, nothing in this Agreement shall operate to limit or preclude any claims by Buyer against any Seller Party for fraud, knowing or intentional misrepresentation or breach, or willful misconduct.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF BUYER AND PARENT

Section 4. Representations and Warranties of Buyer. Buyer and Parent jointly and severally represent and warrant to the Seller Parties, as of the date hereof and as of the Closing, as follows:

(a) Organization; Standing and Power. Buyer is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Colorado. Parent is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Nevada. Each of Buyer and Parent has full limited liability company or corporate, as applicable, power and authority to execute, deliver and perform this Agreement and all Related Agreements to which such Person is, or at the Closing will be, a party and to consummate the transactions contemplated by this Agreement and each of the Related Agreements to which such Person is, or at the Closing will be, a party.

(b) Authorization and Non-Contravention. The execution, delivery and performance of this Agreement and the Related Agreements to which either of Buyer or Parent is, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all necessary limited liability company or corporate, as applicable, action on the part of Buyer or Parent, as applicable. This Agreement and the Related Agreements to which Buyer or Parent is, or at the

Closing will be, a party each constitute a legal, valid and binding obligation of Buyer or Parent, enforceable pursuant to its terms. Each of Buyer's and Parent's execution, delivery and performance of this Agreement and the Related Agreements to which Buyer or Parent is, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby does not and will not (i) constitute a breach, violation or infringement of such Person's governing documents, (ii) constitute a breach or violation of or a default under (with or without due notice or lapse of time or both) any Law, Order or other restriction of any Governmental Authority to which such Person or any of its assets or properties is subject, (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under, any Contract or Permit to which such Person is a party or by which such Person is bound or by which any of such Person's assets or properties is bound or affected, (iv) except as set forth in Schedule 4(b), require any Permit, certificate, consent, waiver, authorization, novation or notice of or to any other Person, including any Governmental Authority or any party to any Contract to which such Person is a party, except, with respect to subsections (ii), (iii) and (iv) as would not materially adversely affect Buyer's or Parent's, as applicable, ability to consummate the transactions contemplated by this Agreement.

(c) Brokers. Except for the Buyer Shaw Payment, Buyer, Parent, nor any Person acting on Buyer's or Parent's behalf has employed or engaged any financial advisor, broker or finder or incurred any Liability for any financial advisory, brokerage or finder's fee or commission in connection with this Agreement, the Related Agreements or the transactions contemplated hereby or thereby for which Buyer, Parent, or any of their respective Affiliates is or may become liable.

(d) Legal Proceedings. There are no actions, suits or proceedings pending, or to Parent's or Buyer's knowledge, threatened against or affecting, Parent, Buyer or any of their respective subsidiaries or any of their respective officers in their capacity as such, before or by any Governmental Authority, in each case whether domestic or foreign, wherein an unfavorable ruling, decision or finding would reasonably be expected to prevent or materially delay the transactions contemplated by this Agreement.

(e) U.S. Exchange Act Registration. Parent has filed all reports required to be filed pursuant to Sections 13(a), 13(e), 14 and 15(d) of the Exchange Act during the preceding twelve (12) months (the "SEC Filings"). The SEC Filings are true and accurate in all material respects. The Registered Parent Common Stock is quoted for trading on the OTCQX, and Parent has taken no action designed to, or likely to have the effect of, ending quotations of the Registered Parent Common Stock on the OTCQX, nor has Parent received any notification that the SEC or the OTC Markets Group Inc. is contemplating terminating such quotation, registration or listing.

ARTICLE V.
COVENANTS

Section 5.1. Pre-Closing Covenants.

(a) General. During the period commencing on the date hereof and ending on the earlier to occur of the date on which this Agreement is validly terminated pursuant hereto or the Closing (such period, the "Interim Period"), each of the Parties will use reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement and the Related Agreements in a prompt and expeditious manner; provided, however, that nothing in this Agreement requires, or will be construed to require, Buyer to take, or to refrain from taking, any action (including agreeing to any concession or arrangement with any Governmental Authority or other Person that would impose any material obligation on Buyer) that would result in any restriction with respect to any properties, assets, business or operations of Buyer or its Affiliates, or to cause its Affiliates to do or agree to do any of the foregoing, whether prior to, at or following the Closing.

(b) Notices and Consents. During the Interim Period, each Seller will give all notices to Governmental Authorities and other Persons and use reasonable efforts to obtain, in writing, without penalty or condition which is adverse to Buyer, all consents, Permits, certificates, covenants, waivers, authorizations or novations required in connection with the transactions contemplated by this Agreement and the Related Agreements as expeditiously as possible. Buyer will reasonably cooperate with the Seller Parties with any reasonable request from any Seller Party in furtherance of Seller's notices and applications required under this Section 5.1(b). During the Interim Period, Representative will provide Buyer a complete copy of all letters, applications or other documents prior to their submission to or promptly after receipt from any Governmental Authority or other Person with respect to each consent, Permit, certificate, covenant, waiver, authorization or novation, and will afford Buyer the opportunity to comment on any letter, application and other document to be submitted reasonably in advance of the anticipated time of submission. During the Interim Period, Representative will inform Buyer of the content of any oral submission reasonably in advance of an anticipated oral communication with any Governmental Authority and afford Buyer the opportunity to comment on any such oral submission. During the Interim Period, Representative will promptly and regularly advise Buyer concerning the status of each consent, Permit, certificate, covenant, waiver, authorization or novation, including any difficulties or delays experienced in obtaining and any conditions required for such items. During the Interim Period, no Seller will permit any of its officers or any other representatives or agents to participate in any meeting with any Governmental Authority with respect to any filings, investigation or other inquiry relating to the transactions contemplated hereby unless Representative informs Buyer in advance and, allows Buyer to provide its input and assistance to such Seller or Representative, as applicable, in connection with such filings or investigation and such Seller and Representative will take Buyer's input into account in all communications with such Governmental Authority. During the Interim Period, no Seller nor Buyer will: (i) enter into any agreement with any Governmental Authority not to consummate the transactions contemplated by this Agreement or the Related Agreements without the prior written consent of, Representative, with respect to the Buyer, and Buyer with respect to any Seller; or (ii)

take any other action that would be reasonably likely to prevent or materially delay the receipt of any such consent, approval, waiver, authorization, notice or novation.

(c) Operation and Preservation of Business. During the Interim Period, without the prior written consent of Buyer, no Seller will, and each Equityholder will cause each Seller to not, engage in any practice, take any action or enter into any transaction outside of the Ordinary Course of Business, except for any action expressly required by this Agreement. During the Interim Period, without the prior written consent of Buyer, no Seller will, and each Equityholder will cause each Seller not to, engage in any practice, take or fail to take any action or enter into any Contract or transaction that could reasonably be expected to cause the representations and warranties of any Seller Party contained herein to be untrue at any time between the date hereof and the Closing. During the Interim Period, each Seller will conduct, and each Equityholder will cause each Seller to conduct, the Business in the Ordinary Course of Business and in compliance with all Laws, and will keep the Business and such Seller's assets and properties, including such Seller's present operations, physical facilities, licenses, working conditions, insurance policies, goodwill and relationships with lessors, licensors, suppliers, customers, employees and other business relations substantially intact, open and operational. Notwithstanding the foregoing, Sellers may take any action regarding any Excluded Assets, Excluded Seller IP, or other tangible or intangible assets of a Seller unrelated to the Business, including, without limitation, sale, transfer, or other alienation of such assets, as determined by Seller in Seller's sole discretion to the extent such actions do not have any effect on the Purchased Assets, the Assumed Liabilities, or the Business. Without limiting the generality of the foregoing, during the Interim Period, no Seller will, and each Equityholder will cause each Seller not to, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed (which the Parties agree is a delay longer than seven (7) days from the date of request), take any of the following actions: (i) amend, extend or terminate any material Contract or enter into any Contract, which if entered into prior to the date hereof, would be a material Contract; (ii) incur any Liability (including any Indebtedness) other than in the Ordinary Course of Business; (iii) dispose of or encumber any assets of any Seller related to the Business, the Purchased Assets, the Assumed Liabilities and limited as set forth above, other than in the Ordinary Course of Business; (iv) increase any compensation or benefits of any employees or independent contractors of any Seller or establish any new compensation or benefit plan; (v) hire, retain, engage or terminate any employee or independent contractor, move any employee or independent contractor from any Location to another Location, or make any other material personnel changes; (vi) accelerate any accounts receivable, delay or postpone any capital expenditure or the payment of accounts payable or other Liabilities, or change, in any material respect, any Seller's practices in connection with the making of capital expenditures or the payment of accounts payable; (vii) grant any Person any license of or other right to IP other than non-exclusive licenses of Products granted in the Ordinary Course of Business; (viii) except as required as a result of a change in Law or GAAP after the date hereof, change any of the financial accounting principles or practices of any Seller; (ix) commence or settle any Legal Proceeding; (x) issue any equity interests or debt securities or repurchase or cancel any equity interests or debt securities of any Seller; (xi) declare, set aside, or pay any non-cash dividend or make any non-cash distribution with respect to any equity securities of any Seller or enter into any Contract with any Equityholder except for the Redemption Agreement; (xii) take any action that would reasonably be expected to have a material and adverse effect on the Business or the Purchased Assets; (xiii)(A) change or make any Tax election, (B) adopt or change any Tax accounting methods, (C) amend a Tax Return, (D) agree to any claims for Tax adjustments or assessments, or (E) settle any Tax claim, audit or assessment; or (xiv) agree or commit to take any of the actions described in clauses (i) through (xiii) above.

(d) Preservation of Inventory. During the Interim Period, each Seller will, and each Equityholder will cause each Seller to, use its reasonable efforts to maintain and preserve all inventory associated with the Business in a good and saleable condition, including being non-expired and free from mildew, fungus, rot, spoilage and agricultural neglect. During the Interim Period, each Seller will maintain at least substantially similar levels of inventory of flower, trim, concentrate and edibles at the Locations as each Seller has maintained over the 12 months prior to the date hereof.

(e) Access. The Parties agree that, during the Interim Period and in compliance with the applicable Laws of the state of Colorado, Buyer and its authorized agents and representatives will have the right to: (i) inspect and audit each Seller's books and records, (ii) access each Seller's facilities; and (iii) consult with each Seller's officers, directors, managers, employees, attorneys, auditors and accountants concerning customary due diligence, employment, employee benefits and other matters. Such access will be at reasonable times and in a manner not to unreasonably interfere with the normal business operations of the applicable Seller. Notwithstanding anything to the contrary in this Section 5.1(e), Buyer or Parent shall not contact any employee of Seller until after Parent has filed a form 8-K regarding its entry into a material definitive agreement concerning this Agreement, in accordance with Section 9.1(j).

(f) Notice of Developments. During the Interim Period, each Seller will, and each Equityholder will cause each Seller to, give prompt written notice to Buyer of any event, occurrence or development causing, or allegation by a third party which, if true, would cause, or which would reasonably be expected to cause: (i) a breach or inaccuracy of any of the representations and warranties in Article III; (ii) any breach or nonperformance of or noncompliance with any covenant or agreement of any Seller or any Equityholder in this Agreement or any Related Agreement; (iii) the failure of any condition set forth in Section 6.1; (iv) any material damage to or loss or destruction of any properties or assets owned or leased or otherwise used, or held for use, by any Seller in connection with the Business (whether or not insured); or (v) the occurrence or threatened occurrence of any event or condition which resulted in, or could reasonably be expected to result in, a material and adverse effect on the Business or the Purchased Assets. No disclosure by any Party pursuant to this Section 5.1(f) will be deemed to amend or supplement the schedules to this Agreement or prevent or cure any misrepresentation, breach of warranty, or breach of covenant, agreement or obligation.

(g) Exclusivity. During the Interim Period, no Seller nor any Equityholder will, and each will cause each of such Person's respective officers, employees, directors, managers, members, partners, equityholders, advisors, representatives, agents and Affiliates not to, directly or indirectly solicit, initiate, encourage (including by way of furnishing information), or take any other action to facilitate any inquiry or the making of any proposal which constitutes, or could reasonably be expected to lead to, any acquisition or purchase of a substantial portion of the assets, equity interests or other securities of any Seller or any tender offer or exchange offer, merger, consolidation, business combination, sale of substantially all assets, sale of securities, recapitalization, spin-off, liquidation, dissolution or similar transaction involving any Seller, or any other transaction, the consummation of which would or could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by this Agreement or any Related Agreement (any of the foregoing, an "Alternate Transaction Proposal") or agree to or endorse any Alternate Transaction Proposal. Each Seller and each Equityholder will promptly, and in any case within 24 hours, notify Buyer of any Alternate Transaction Proposal and provide a summary of the material terms proposed in such Alternate Transaction Proposal, including the counterparty.

(h) Modification of Premises. During the Interim Period, Buyer shall file any requisite applications, as directed by applicable Governmental Authorities, for modifications of the licensed premises for the Purchased Licenses and Relocated Licenses (the "Modification Applications") related to the operation of the Relocated Licenses at the Garden City Location following the Closing. Buyer will file or cause to be filed, an initial Modification Application, within seven (7) days of the date of this Agreement.

Section 5.2. Post-Closing Covenants.

(a) Restrictive Covenants.

(i) From and after the Closing, each Seller Party will keep confidential and not disclose to any other Person or use for such Person's own benefit or the benefit of any other Person any confidential or non-public information regarding any Seller or the Business. The obligation of each Seller Party and its respective Affiliates under this Section 5.2(a)(i) will not apply to information that is or becomes generally available to the public without breach of the commitment provided for in this Section 5.2(a)(i) or is required to be disclosed by applicable Law; provided, however, that, in the case of a required disclosure, the applicable Seller Party or such other Person, as applicable, will notify Buyer as early as reasonably practicable prior to disclosure to allow Buyer to take appropriate measures to preserve the confidentiality of such information.

(ii) As a material inducement to Buyer to enter into and perform its obligations under this Agreement, each Seller Party agrees that, from the Closing Date through the two-year anniversary of the Closing Date (the "Non-Compete Restricted Period"), each Seller Party will not, and will cause its respective employees, officers, directors, managers, agents and Affiliates not to, directly or indirectly, own any interest in, manage, control, participate in (whether as an owner, officer, director, manager, employee, partner, agent, representative or otherwise), consult with, render services for, become employed by, or in any other manner engage in the retail sale of recreational or medical marijuana or the operation of a recreational or medical marijuana dispensary (such action, a "Competitive Activity") within the Restricted Area, except as set forth on Schedule 5.2(a)(ii). Nothing herein will prohibit any such Person from being a passive owner of not more than two percent of the outstanding stock of any class of a corporation involved in the cannabis business that is publicly traded. "Restricted Area" means any area north of 38.2544° N, 104.6091° W coordinates in the state of Colorado.

(iii) As a material inducement to Buyer to enter into and perform its obligations under this Agreement, from the Closing Date through the two-year anniversary of the Closing Date (the "Non-Solicit Restricted Period"), each Seller Party: (A) will not, and will cause their respective employees, officers, directors, managers, agents and Affiliates not to, directly or indirectly contact, approach or solicit for the purpose of offering employment to or hiring (whether as an employee, consultant, agent, independent contractor or otherwise) or actually hire any Person employed by Buyer or its Affiliates (or any successor to the Business); provided, that this Section 5.2(a)(iii) will not prohibit any such Person from conducting any general solicitations in a newspaper, trade publication or other periodical or web posting not specifically targeted at any Person employed by Buyer or its Affiliates (or any successor to the Business); and (B) will not induce or attempt to induce any customer or other business relation of the Business into any business relationship that might materially harm Buyer or its Affiliates or the Business.

(iv) As a material inducement to Buyer to enter into and perform its obligations under this Agreement, from and after the Closing, no Seller Party will, and will cause their respective employees, officers, directors, managers, agents and Affiliates not to, directly or indirectly denigrate, defame or disparage Buyer or its Affiliates and their respective equityholders, managers, directors, officers, employees, independent contractors or representatives or the Business.

(v) Each Seller Party acknowledges and agrees that, in the event of a breach or alleged breach by such Person of any of the provisions of this Section 5.2(a), monetary damages will not constitute a sufficient remedy. Consequently, in the event of any such breach or alleged breach, Buyer, its Affiliates and their successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of law or equity of competent jurisdiction for specific performance, injunctive relief, or both, or any other equitable remedies available to enforce or prevent any violations of the provisions hereof (including, without limitation, the extension of the Non-Compete Restricted Period or Non-Solicit Restricted Period, as applicable, by a period equal to (A) the length of the violation of this Section 5.2(a) plus (B) the length of any court proceedings necessary to stop such violation), in each case, without the requirement of posting a bond or proving actual damages.

(b) Inability to Assign Assets. Notwithstanding anything to the contrary contained in this Agreement or in any Related Agreement, to the extent that the assignment or attempted assignment to Buyer of any Contract or Permit that is included among the

Purchased Assets (each, an "Assigned Contract"), or any claim, right or benefit arising thereunder or resulting therefrom, is prohibited by any Law, or would require any consent, waiver, authorization, notice or novation by any Person, except for the consent of Governmental Authorities for transfer of Permits, and such consent, waiver, authorization, notice or novation has not been obtained or made prior to the Closing in a form and substance reasonably acceptable to Buyer, or with respect to which any attempted assignment would be ineffective or would materially and adversely affect the rights of any Seller or Buyer thereunder, then neither this Agreement nor any Related Agreement will constitute an assignment or attempted assignment thereof, and the same will not be assigned at the Closing. If any consent, waiver, authorization, novation or notice that is necessary for the effective assignment to Buyer of any Assigned Contract cannot be obtained or made and, as a result, the material benefits of such Assigned Contract cannot be provided to Buyer following the Closing as otherwise required pursuant to this Agreement, then the applicable Seller will use commercially reasonable efforts to, with respect to any such Assigned Contracts, for a period of six months, cooperate with Buyer in any reasonable arrangement designed to provide Buyer with the rights and benefits under such Assigned Contract, including enforcement for the benefit of Buyer of any and all rights of the applicable Seller against any other party to such Assigned Contract arising out of any breach or cancellation of such Assigned Contract by such other party and, if requested by Buyer, acting as an agent on behalf of Buyer. Once any such consent, waiver, authorization, or novation is obtained or notice is properly made in form and substance reasonably acceptable to Buyer, the applicable Seller will assign such Assigned Contract to Buyer at no additional cost to Buyer.

(c) Post-Closing Payments. After the Closing, each Seller Party will cause any financial institution to which any cash, deposits, online payments, cybercurrency, checks or other instruments of payment are delivered to an account not transferred to Buyer at the Closing with respect to the Purchased Assets or the Assumed Liabilities, including, without limitation, funds relating to any accounts receivable or any other Purchased Assets, through any "lock-box" or similar arrangement, to immediately remit same to Buyer, but in all cases within five Business Days after receipt thereof. To the extent not remitted immediately to Buyer, Buyer may offset such amounts against any obligation of Buyer to any Seller Party now or hereafter existing. Representative will periodically provide Buyer with such additional evidence or supporting detail as Buyer may reasonably request regarding particular payments or outstanding accounts included in the Purchased Assets or the Assumed Liabilities.

(d) Apportionment of Taxes and Cooperation. Notwithstanding any other provision of this Agreement, each Seller Party will be jointly and severally liable and will indemnify Buyer for all Taxes attributable to the ownership or sale of the Business or Purchased Assets or any operations of any Seller for all taxable periods (or portions thereof) ending on or before the Closing Date ("Pre-Closing Taxes"). Taxes that are real, personal or intangible property Taxes and similar ad valorem obligations that are imposed on a periodic basis levied with respect to any Purchased Asset for any tax period beginning on or before and ending after the Closing Date will be allocated proportionally as Pre-Closing Taxes based on the number of days in such Tax period included in the portion of such Tax period ending on or prior to the Closing. If Buyer makes a payment of any Pre-Closing Taxes, it will be entitled to prompt reimbursement from the applicable Seller Party for such Taxes upon presentation to Representative of evidence of such payment. The Sellers (as a group), on the one hand, and Buyer, on the other hand, shall each pay or cause to be paid 50% of any sales, use, documentary, recording, stamp, value added, excise, transfer or similar Taxes arising from the sale of the Purchased Assets or the transactions contemplated by this Agreement ("Transfer Taxes"), and the Party required by applicable law (or customarily responsible under applicable law) will timely file any Tax Return or other necessary documentation with respect to such Transfer Taxes, and the other Parties will reasonably cooperate in connection therewith. Claims arising under this Section 5.2(d) will survive for the full period of any applicable statute of limitations plus an additional 60 days. After the Closing, Buyer, and each Seller Party shall: (i) use commercially reasonable efforts to assist the other Party in preparing any Tax Returns which such other Party is responsible for preparing and filing; and (ii) make available to the other Party and to any Governmental Authority as reasonably requested, all information, records and documents relating to Taxes relating to the Business or Purchased Assets for all taxable periods (or portions thereof) ending on or before the Closing Date.

Section 5.3. Release of Claims. Effective as of the Closing, except with respect to (a) any claim to enforce the terms of or any breach of this Agreement or any Related Agreement and (b) if (and only if) an Equityholder is an officer, manager or director of any Seller, any rights, if any, with respect to any directors' and officers' liability insurance policy protecting such Equityholder in such position, each Seller Party (collectively, the "Releasors"), unconditionally and irrevocably waives, releases and forever discharges Buyer, Parent and each of their respective Affiliates (each, a "Released Person"), from any past, present or future dispute, claim, controversy, demand, right, obligation, Liability, action or cause of action of any kind or nature, whether unknown, unsuspected or undisclosed, related to any matters, causes, conditions, acts, conduct, claims, circumstances or events arising out of or related to the Business, and no Seller Party nor any other Releasor will seek to recover any amounts in connection therewith or thereunder from any Released Person.

Section 5.4. Employee Matters.

(a) Each Seller agrees to use its commercially reasonable efforts to assist Buyer in its efforts to employ any employees of such Seller requested by Buyer, including those scheduled on Schedule 5.4(a)(i), and engage any independent contractors of Seller requested by Buyer, including those listed on Schedule 5.4(a)(ii). Buyer agrees to offer employment to substantially all of the employees of the applicable Seller set forth on Schedule 5.4(a)(i) which are employed by such Seller as of the Closing (including any replacements thereof). Any employees of any Seller who accept employment with Buyer, execute any documents required by Buyer to be executed in connection therewith and begin employment with Buyer are referred to herein collectively as the "Transferred Employees."

(b) Buyer will have no obligation to offer employment to, and will have no Liability to, any employee of any Seller, including any employee who, on the Closing Date, is not actively employed by any Seller. Each Seller, as applicable, will bear all

responsibility for, and related costs associated with the termination of any of its employees, including complying with applicable Laws. Prior to the Closing, the applicable Seller will terminate, effective no later than as of the close of business on the Business Day immediately preceding the Closing Date, all employees of such Seller who have not been made any offer of employment with Buyer or declined employment with Buyer. Simultaneously with such termination, the applicable Seller will pay each such terminated employee and each such terminated independent contractors all amounts owed and due under Law, and all other amounts due and owed (including termination or severance pay) in accordance with any contract or Law.

(c) Nothing contained in this Agreement, any Related Agreement or any other document contemplated hereby or thereby will confer upon any Transferred Employee or any other present or former employee of any Seller any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement, any Related Agreement or any other document contemplated hereby or thereby, including any right to employment or continued employment or to any compensation or benefits that may be provided, directly or indirectly, under any employee benefit plan, policy or arrangement of Buyer, nor will anything contained in this Agreement, any Related Agreement or any other document contemplated hereby or thereby constitute a limitation on or restriction against the right of Buyer to amend, modify or terminate any such plan, policy or arrangement or compensation, benefits or other terms or conditions of employment.

(d) Each Seller and Buyer agree that such Seller will be liable for all Liabilities of such Seller with respect to the employees and independent contractors of such Seller (including all Transferred Employees) arising or accruing prior to the Closing Date and including any employment Taxes imposed with respect to any payments of compensation to employees and independent contractors arising in connection with the transactions contemplated by this Agreement, regardless of whether arising at or before the Closing, and Buyer will be and become liable for all employment-related Liabilities of the Transferred Employees and all Liabilities first arising after the Closing Date.

Section 5.5. License and Covenants Regarding Name. Following the Closing, except as otherwise provided in this Section 5.5 or in Section 5.2, Sellers shall retain the exclusive right, title, interest, and right to use the Excluded Seller IP. Notwithstanding anything to the contrary in this Agreement, except for the Referral Link (as defined herein), no Seller Party will (and each Seller Party will cause its Affiliates to not) use any trade name or trademark related to "Smokey's" for the Business or for any Competitive Activity in the Restricted Area. Sellers may continue to advertise the "Smokey's" trademark and brands, including by cross-promotion with retail and medical marijuana stores without regard to the location of such stores. Sellers hereby grant Buyer a royalty-free, fully-paid, 120-day, irrevocable, non-exclusive license and right to use and display the Sellers' "Smokey's" trademark (in any form) from and after the Closing in connection with the branding, advertising, or otherwise promoting the Locations set forth in part B. of the Recitals ("License"). Within 120 days after the Closing, Buyer shall remove or cause to remove any signage identifying "Smokey's" from the Purchased Assets. Buyer shall use reasonable care to remove "Smokey's" signage without damaging the same, shall notify the Seller Parties upon such removal, and shall allow the Seller Parties fourteen (14) days from the date of removal to collect such signage.

Section 5.6. Covenants Regarding Sellers' Referral Link. From and after the Closing, and for the shortest of the duration of Sellers' continuing operation of its on-going wholesale business, three (3) years, or such time as Buyer requests the removal of the Referral Link, Sellers will include a prominent link on the main website landing page for Sellers, "Smokey's" brand and each location set forth in part B. of the Recitals hereto that refers visitors to such website to Buyer's retail dispensary locations acquired by Buyer with the Business (the "Referral Link"). Such Referral Link will be in a form reasonable acceptable to Buyer, and resolve to Buyer's website (as specified by Buyer from time to time). Sellers will ensure that the Referral Link remains active and working. Sellers will make necessary changes to the Referral Link within seven (7) days of receipt of Buyer's notice, in the event that Buyer (in Buyer's discretion) changes Buyer's online presence or platform in a way that requires an update to the Referral Link. For the avoidance of doubt, Sellers will provide any and all business opportunities regarding the Business that may arise from the Referral Link and cause them to be passed onto Buyer, but nothing in this Section 5.6 obligates Sellers to refer to Buyer any business opportunities regarding Sellers' wholesale marijuana business, the Retained Licenses, or the Relocated Licenses.

Section 5.7. Buyer Shaw Payment. In connection with the Closing, Buyer shall pay, or cause to be paid, $25,000 to Aaron Shaw by wire transfer of immediately available funds to a bank account or accounts designated in writing by Aaron Shaw prior to such payment (the "Buyer Shaw Payment").

Section 5.8. Covenant Not to Dissolve. Until the later of (a) the Release Date and (b) the date on which all pending claims for indemnification pursuant to Section 8.1 have been resolved, each Equityholder hereby covenants and agrees not to, and covenants and agrees not to cause any Seller to, (i) take any action to file a certificate of dissolution or its equivalent with respect to any Seller; (ii) exercise any power under the applicable Law to dissolve any Seller; or (iii) petition for judicial dissolution of any Seller.

Section 5.9. Relocated Licenses. As soon as reasonably practicable, but in no event later than ninety (90) days following the Closing Date, each Equityholder shall cause each Seller to relocate the applicable Relocated Licenses from the Garden City Location. If such Seller is unable to relocate the Relocated Licenses within such period of time, such Seller shall surrender the applicable Relocated Licenses within fifteen (15) days of the date which is ninety (90) days following the Closing.

ARTICLE VI.
CONDITIONS TO CLOSING

Section 6.1. Conditions to the Obligation of Buyer and Parent to Closing. The obligations of Buyer and Parent to consummate the transactions contemplated by this Agreement and the Related Agreements are subject to the satisfaction at or before the Closing of all of the following conditions, any one or more of which may be waived by Buyer, in Buyer's sole discretion:(a) Representations and Warranties. All of the representations and warranties made by any Seller Party in this Agreement must be (i) true and correct as of the date hereof and (ii) true and correct in all material respects at and as of the Closing as though made on the Closing Date (except to the extent such representations and warranties are made as of a specified date, in which case, such representations and warranties must be true and correct in all material respects as of such specified date); provided, that, with respect to subpart (ii) of this Section 6.1(a), such representations and warranties that are qualified by Materiality Qualifiers (as so qualified) and the Fundamental Representations must be true and correct in all respects at and as of the Closing as though made then and as though the Closing Date were substituted for the date of this Agreement throughout Article III.

(b) Covenants. Each Seller Party must have performed and complied in all material respects with all of their respective covenants, obligations and agreements in this Agreement to be performed and complied with at or before the Closing.

(c) Proceedings. No Legal Proceeding will be pending or threatened with respect to any Seller Party or the Business in which an unfavorable Order would: (i) prevent or materially impair the consummation of any of the transactions contemplated by this Agreement or any Related Agreement; or (ii) cause any of the transactions contemplated by this Agreement or any Related Agreement to be rescinded following consummation (and no such Order will be in effect).

(d) Sellers' Deliveries. The applicable Seller must have delivered to Buyer or have caused to be delivered to Buyer each of the following documents at or before the Closing:

(i) a certificate executed by a duly authorized officer of each Seller and Equityholder, dated as of the Closing Date, certifying that (A) as to each Seller and Equityholder, as applicable, each of the conditions specified in Sections 6.1(a), 6.1(b), 6.1(c), 6.1(e) 6.1(f) and 6.1(g) are satisfied in all respects, (B) attached thereto are true, complete and correct copies of the resolutions of the members of each Seller authorizing the execution, delivery and performance of this Agreement and the Related Agreements and the consummation of the transactions contemplated herein and therein, as are then in full force and effect and (C) attached thereto are good standing certificates, dated as of a recent date prior to the Closing Date, from the Governmental Authority of the jurisdiction of each Seller's incorporation or organization and each other jurisdiction in which such Seller is qualified to do business (the "Closing Certificate");

(ii) the Bill of Sale, duly executed by each Seller;

(iii) the IP Assignment Agreement, duly executed by each Seller;

(iv) a copy of Schedule A (Effective Date of Change of Ownership) to any contingent Approval letter received by Buyer or any Seller from the MED that is fully-executed by each Seller;

(v) evidence of Approval of change of ownership from each of (A) the Town Hall of the town of Garden City, Colorado and (B) the City Clerk's Office of the city of Fort Collins, Colorado;

(vi) duly completed and executed IRS Forms W-9 from each Seller Party and any other Person receiving any payments from Buyer pursuant to this Agreement or any Related Agreement;

(vii) no later than three Business Days prior to the Closing Date, a payoff letter from each lender of any Seller or other holder of Closing Date Repaid Indebtedness or any Encumbrance with respect to the Purchased Assets contemplated to be repaid on the Closing Date, reasonably acceptable to Buyer, including that all Encumbrances on the properties or assets of Seller, including any Purchased Asset, will automatically be released upon the satisfaction of the conditions in such letter (each, a "Payoff Letter");

(viii) no later than three Business Days prior to the Closing Date, an invoice from each holder of Seller Transaction Expenses contemplated to be repaid on the Closing Date in customary form and reasonably acceptable to Buyer (the "Seller Transaction Expenses Invoices");

(ix) the Garden City Lease Agreement, duly executed by the Garden City Owner;

(x) evidence reasonably satisfactory to Buyer of the release of all Encumbrances with respect to the Purchased Assets;

(xi) Lock-Up Agreements, duly executed by each Equityholder;

(xii) evidence reasonably satisfactory to Buyer of the consent or approval of, and the giving of all notices to, those Persons whose consent or approval is required, or who are entitled to notice, in connection with each Seller's execution, delivery and performance of this Agreement and the Related Agreements to which such Seller is, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby, including the consents of and notices to the Persons listed on Schedule 6.1(d)(xiii);

(xiii) such other instruments, documents and certificates as are required by the terms of this Agreement and the Related Agreements, or as may be reasonably requested by Buyer in connection with the consummation of the transactions contemplated herein; and

(xiv) a copy of Schedule A (Effective Date of Change of Ownership) to any contingent Approval letter received by Buyer or any Seller from the MED and any corresponding document from the town of Garden City, Colorado, and the city of Fort Collins, Colorado, that is fully-executed by each Seller.

(xv) evidence of the town of Garden City waiving any applicable Law and providing all applicable approvals regarding the relocation of the Relocated Licenses;

(e) No Material Adverse Effect. There will have been no event, fact, change or occurrence having a material and adverse effect on the Business or any of the Purchased Assets.

(f) Additional Real Estate Deliverables. The Fort Collins Lease Agreement will have been duly executed by Fort Collins Owner and the Buyer, and the Garden City Lease Agreement will have been duly executed by the Garden City Owner and Buyer.

(g) Regulatory Approvals. The Parties will have received the Approvals from each of (A) the city of Fort Collins, Colorado, (B) the town of Garden City, Colorado, and (C) the MED, each of which will be in full force and effect as of the Closing.

Section 6.2. Conditions to the Obligation of Seller Parties to Close. The obligations of each Seller Party to consummate the transactions contemplated by this Agreement and the Related Agreements are subject to the satisfaction at or before the Closing of all of the following conditions, any one or more of which may be waived by Representative, in Representative's sole discretion: (a) Representations and Warranties. All of the representations and warranties made by Buyer and Parent in this Agreement must be (i) true and correct as of the date hereof and (ii) true and correct in all material respects at and as of the Closing as though made on the Closing Date (except to the extent such representations and warranties are made as of a specified date, in which case, such representations and warranties must be true and correct in all material respects as of such specified date); provided, however, that, with respect to subpart (ii) of this Section 6.2(a), such representations and warranties that are qualified by Materiality Qualifiers (as so qualified) must be true and correct in all respects at and as of the Closing as though made then and as though the Closing Date were substituted for the date of this Agreement throughout Article IV.

(b) Covenants. Buyer and Parent must have performed and complied in all material respects with all of their respective covenants, obligations and agreements under this Agreement to be performed or complied with at or before the Closing, including, without limitation, the payment of the Purchase Price.

(c) Additional Real Estate Deliverables. The Fort Collins Lease Agreement will have been duly executed by Fort Collins Owner and the Buyer, and the Garden City Lease Agreement will have been duly executed by the Garden City Owner and Buyer.

(d) Buyer Deliveries. Buyer or Parent, as applicable, will have delivered to Representative each of the following at or before the Closing:

(i) a certificate executed by a duly authorized officer of each of Buyer and Parent, dated as of the Closing Date, certifying that each of the conditions specified above in Sections 6.2(a) and 6.2(b) is satisfied in all respects;

(ii) the Bill of Sale, duly executed by Buyer;

(iii) the IP Assignment Agreement, duly executed by Buyer;

(iv) the Garden City Lease Agreement, duly executed by Buyer and

(v) a copy of Schedule A (Effective Date of Change of Ownership) to any contingent Approval letter received by Buyer or any Seller from the MED and any corresponding document from the town of Garden City, Colorado, and the city of Fort Collins, Colorado, that is fully-executed by Buyer.

Section 6.3. Closing. The closing of the transactions contemplated by this Agreement and the Related Agreements (the "Closing") will take place by email (in portable document format) transmission to the respective offices of legal counsel for the Parties of the requisite documents, duly executed where required, delivered upon actual confirmed receipt, on the fourth Business Day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby set forth in Section 6.1 and Section 6.2 (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other place, date and time as mutually agreed upon by the Parties (the "Closing Date").

ARTICLE VII.
TERMINATION

Section 7.1. Termination.

(a) Termination Generally. This Agreement may be terminated at any time prior to the Closing as follows:

(i) Buyer, on its own behalf and on behalf of Parent, and Representative, on Representative's behalf and on behalf of each Seller Party, may terminate this Agreement by mutual written consent;

(ii) Buyer, on its own behalf and on behalf of Parent, may terminate this Agreement by giving written notice to Representative: (A) in the event that any Seller Party breaches any representation, warranty, covenant, obligation or agreement contained in this Agreement in any respect, and such breach or breaches, individually or collectively, would, if occurring or continuing

on the Closing Date, give rise to the failure of a condition set forth in Section 6.1 to be satisfied, Buyer notifies Representative of the breach, and the breach, if capable of cure, continues without cure for a period of ten days after the notice of breach (provided that Buyer will not have the right to terminate this Agreement pursuant to this Section 7.1(a)(ii) if Buyer or Parent is then in breach of any of its respective representations, warranties, covenants, obligations or agreements contained in this Agreement which would give rise to the failure of a condition set forth in Section 6.2 to be satisfied); (B) if the Closing has not occurred on or before one-hundred and twenty (120) days after the date in which the Parties submit a change of control application to the MED (the "Outside Date") (unless the failure results primarily from Buyer breaching any representation, warranty, covenant, obligation or agreement contained in this Agreement); (C) an applicable Law or final, non-appealable Order by a U.S. federal or state court of competent jurisdiction will have enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by this Agreement that prohibits the Closing; or (D) unilaterally, in its sole discretion; or

(iii) Representative, on Representative's own behalf and on behalf of each Seller Party, may terminate this Agreement by giving written notice to Buyer: (A) in the event that Buyer breaches any representation, warranty, covenant, obligation or agreement contained in this Agreement in any respect, and such breach or breaches, individually or collectively, would, if occurring or continuing on the Closing Date, give rise to the failure of a condition set forth in Section 6.2 to be satisfied, Representative notifies Buyer of the breach, and the breach, if capable of cure, continues without cure for a period of ten days after the notice of breach (provided that Representative will not have the right to terminate this Agreement pursuant to this Section 7.1(a)(iii) if any Seller Party is then in breach of any of its representations, warranties, covenants, obligations or agreements contained in this Agreement which would give rise to the failure of a condition set forth in Section 6.1 to be satisfied); (B) if the Closing has not occurred on or before the Outside Date (unless the failure results primarily from any Seller Party breaching any representation, warranty, covenant or agreement contained in this Agreement); or (C) an applicable Law or final, non-appealable Order by a U.S. federal or state court of competent jurisdiction will have enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by this Agreement that prohibits the Closing.

(b) Effect of Termination. The termination of this Agreement pursuant to Section 7.1(a) will not be deemed to release any Party from any Liability for breach of any representation, warranty, covenant, obligation or agreement contained in this Agreement (nor a waiver of any right in connection therewith) and will be in addition to any other right or remedy a Party has under this Agreement or otherwise. The exercise of a right of termination of this Agreement is not an election of remedies.

ARTICLE VIII.
INDEMNIFICATION

Section 8.1. Indemnification.

(a) Indemnification Obligations of each Seller Party. Each Seller Party will jointly and severally indemnify, defend and reimburse Buyer, Parent and their respective Affiliates and each of their respective Affiliates, officers, directors, managers, subsidiaries, employees, successors, assigns, agents and representatives (the "Buyer Indemnified Parties") for and hold harmless each Buyer Indemnified Party from and against and be liable for any Damages related to or arising, directly or indirectly, out of, caused by or resulting from any of the following: (i) any Excluded Liability or Excluded Asset; (ii) any breach of any of the representations and warranties of any Seller Party in Article III; (iii) any breach of any term, provision, covenant or agreement contained in this Agreement or any of the Related Agreements by any Seller Party; (iv) any inaccuracy or misrepresentation in any certificate or other document or instrument delivered by any Seller Party or caused to be delivered by any Seller Party pursuant to any provision of this Agreement; (v) any broker, investment banker or adviser fees, or any other fees, costs or expenses incurred by or on behalf of any Seller Party in connection with this Agreement or any Related Agreement; (vi) any Pre-Closing Taxes, Transfer Taxes or other Taxes of any Seller; or (vii) any fraud, knowing or intentional misrepresentation or breach or willful misconduct on the part of any Seller Party. Notwithstanding anything contained herein to the contrary, the obligations of each Seller Party pursuant to clause (ii) of Section 8.1(a) (a) will not apply to the first $75,000 in Damages (the "Threshold"), and (b) will be limited to, and will not exceed, $750,000 (the "Cap") in the aggregate for all Seller Parties; provided, however, that the Threshold and the Cap will not apply to any Damages resulting from breaches of Fundamental Representations or fraud or intentional, willful or fraudulent actions, misrepresentations or breaches. For purposes of calculating the amount of Damages arising out of or relating to any inaccuracy or breach of any representation or warranty in Article III, and the determination of whether a breach has occurred, all Materiality Qualifiers will be disregarded.

(b) Indemnification Obligations of Buyer and Parent. Buyer and Parent will jointly and severally indemnify, defend and reimburse each Seller Party and their respective Affiliates and each of their respective Affiliates, officers, directors, managers, subsidiaries, employees, successors, assigns, agents and representatives (the "Seller Indemnified Parties") for and hold harmless each Seller Indemnified Party from and against and be liable for any Damages related to or arising, directly or indirectly, out of, caused by or resulting from any of the following: (i) any breach of any of the representations and warranties of Buyer or Parent in Article IV; (ii) any breach of any term, provision, covenant or agreement contained in this Agreement or any of the Related Agreements by Buyer; (iii) any fraud, knowing or intentional misrepresentation or breach or willful misconduct on the part of Buyer or Parent; or (iv) any Assumed Liabilities.

(c) Survival. The representations and warranties contained in this Agreement or in any Related Agreement, and all related rights to indemnification, will survive the Closing as follows: (i) all of the representations and warranties of the Seller Parties contained in this Agreement and the Closing Certificate, in each case, other than the Fundamental Representations, will survive the Closing and terminate on the date that is 18 months after the Closing Date and (ii) the Fundamental Representations, including the

Fundamental Representations referenced in the Closing Certificate, will survive the Closing and will terminate 60 days following the expiration of the applicable statute of limitations. All other covenants, obligations and agreements contained in this Agreement will survive the Closing for the later of (a) three years following the Closing Date or (b) 90 days following the date on which such covenant is fully performed.

(d) Recovery. If and to the extent that any Buyer Indemnified Party or Seller Indemnified Party is entitled to indemnification pursuant to this Agreement (after giving effect to the limitations on indemnification set forth in Section 8.1(a)), such Buyer Indemnified Party or Seller Indemnified Party will recoup all or any portion of any Damages to which such Buyer Indemnified Party or Seller Indemnified Party is entitled by directing cash payment of, and the Seller Parties or Buyer and Parent, respectively, will pay, monetary Damages from the Seller Parties or Buyer and Parent, respectively; provided that, subject to the Cap, Buyer may instead elect to offset such Damages, at Buyer's sole option, (i) from the Cash Holdback Amount, (ii) by reducing the number of Deferred Shares issued or issuable pursuant to Section 2.2(b), (iii) by directing Parent to cancel a number of Shares of Parent Common Stock held by any Seller, Equityholder, or their respective Affiliates on the books and records of Parent (such number of shares of Parent Common Stock to be determined by dividing the amount of such Damages by the Per Parent Share Price, rounded down to the nearest whole share) or (iv) from any amounts owed by Buyer or Parent to any Seller Party pursuant to this Agreement. Such remedies are not exclusive of any other remedies the Buyer Indemnified Party may exercise at law or in equity to satisfy each Seller Party's indemnification obligations hereunder.

(e) Cash Holdback Amount and Deferred Shares. On the Release Date, the Cash Holdback Amount, less any amounts that have been released to compensate any Buyer Indemnified Party for Damages as provided in this Section 8.1 or to compensate a Deficiency as provided in Section 2.3(b), will be released to Sellers in accordance with their Pro Rata Portions; provided, that any portion of the Cash Holdback Amount and the Deferred Shares issuable pursuant to Section 2.2(b) that is necessary to satisfy any pending claims for indemnification pursuant to this Section 8.1 specified in a written notice delivered to Representative prior to 11:59 p.m., Mountain Time, on the Release Date will not be issued or paid to the Sellers or Equityholders (as applicable) hereunder until final resolution of all such claims, at which time the amount of the Cash Holdback Amount held back or the applicable number of Deferred Shares which were not issued to satisfy such pending claims, to the extent not issued or released for purposes of compensating any Buyer Indemnified Party for Damages as provided in this Section 8.1 will be, as applicable, released to Sellers and issued to Equityholders (on behalf of Sellers) in accordance with their respective Pro Rata Portions. Each Party will cooperate, and cause any Affiliate to cooperate, in timely making all filings, Tax Returns, reports, claims for refund and forms as may be required in connection with the foregoing to comply with all applicable Laws. Upon request, Buyer, each Seller Party, and Representative, as applicable, will provide each other with the information that either party reasonably requests in connection with its Tax reporting obligations under applicable Law. Any portion of the Cash Holdback Amount that has been not been released for purposes of compensating any Buyer Indemnified Party for Damages as provided in this Section 8.1 or to compensate a Deficiency as provided in Section 2.3(b) may be cancelled by, or released to, Parent.

ARTICLE IX.
MISCELLANEOUS

Section 9.1. Miscellaneous.

(a) Governing Law and Venue. This Agreement and the agreements executed in connection herewith will be governed by the laws of the State of Colorado (regardless of the laws that might otherwise govern under applicable principles of conflicts of law of the State of Colorado) as to all matters including, but not limited to, matters of validity, construction, effect, performance and remedies. The Parties irrevocably consent and agree to the exclusive jurisdiction of the State and Federal courts sitting in the State of Colorado.

(b) Specific Performance. The Parties agree that if any party hereto is obligated to, but nevertheless does not, perform any covenant, agreement or obligation set forth in this Agreement or any of the Related Agreements, then any other party, in addition to all other rights or remedies such party may have, will be entitled to the remedy of specific performance mandating that the other party or parties perform such covenant, agreement or obligation. In an action for specific performance by any party against any other party, the other party will not plead adequacy of damages at law.

(c) Further Assurances. From time to time after the Closing Date, at Buyer's request, and without further consideration from Buyer or Parent, the applicable Seller Party will execute and deliver such other instruments of conveyance and transfer and take such other actions as Buyer reasonably may require to convey, transfer to and vest in Buyer and to put Buyer in possession of the Purchased Assets. Following the Closing, each applicable Seller Party shall promptly redirect any inquiries related to the Business, the Purchased Assets, or the Assumed Liabilities (including any inquiries made through domain names used in the Business prior to the Closing) to Buyer.

(d) Waiver of Compliance; Consents. Any failure of any Seller Party, on the one hand, or Buyer or Parent, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived in writing by Buyer or by Representative, respectively, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any Party hereto, such consent will be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 9.1(d).

(e) Expenses. Each Party will pay its own legal, accounting and other expenses incurred by such Party or on its behalf in connection with this Agreement and the transactions contemplated herein and all such fees incurred by any Seller Party and any of their Affiliates at or prior to the Closing are deemed Excluded Liabilities.

(f) Legend. Each Seller Party acknowledges and agrees that the certificates representing Parent Common Stock pursuant to this Agreement may contain a legend in a form acceptable to Parent in its sole discretion.

(g) Notices. All notices and other communications hereunder will be in writing and will be deemed received (i) on the date of delivery if delivered personally or by messenger service, (ii) on the date of confirmation, by reply email, of receipt of transmission by email (or, the first Business Day following such receipt if (x) the date is not a Business Day or (y) confirmation of receipt is given after 5:00 p.m., Mountain Time) or (z) on the date of confirmation of receipt if delivered by a nationally recognized courier service (or, the first Business Day following such receipt if (a) the date is not a Business Day or (b) confirmation of receipt is given after 5:00 p.m., Mountain Time), to the Parties at the following addresses or email addresses (or at such other addresses or email addresses for a Party as will have been specified by like notice):

if to Buyer or Parent, to:

Schwazze
4880 Havana Street, Suite 201
Denver, Colorado 80239
Attention: Dan Pabon
Email Address: dan@schwazze.com

with a copy to (not constituting notice):

Perkins Coie LLP
1900 Sixteenth Street, Suite 1400
Denver, Colorado 80202
Attention: Kester Spindler
Email Addresses: kspindler@perkinscoie.com

if to Representative or any Seller Party, to:

Cannabis Care Wellness Centers, LLC
Green Medicals Wellness Center #5, LLC
c/o Melinda Kadinger
4255 Rainbow Ln.
Loveland, CO 80537
Attention: Melinda Kadinger
Email Address: admin@smokeys420.com

with a copy to (not constituting notice):

Hassan + Cables LLC
1035 Pearl Street, Suite 200
Boulder, CO 80302
Attention: David Wunderlich
Email Address: david@hassancables.com

(h) Appointment of Representative as Agent. Each Seller Party (a) hereby irrevocably constitutes and appoints Representative as such Seller Party's agent, attorney in fact and representative, with full power to do any and all things on behalf of such Seller Party, and to take any action required or contemplated to be taken by such Seller Party, under this Agreement or any Related Agreement (including any amendments, waivers or modifications of this Agreement) and (b) will be bound by all actions taken by Representative regarding this Agreement or any Related Agreement or in connection with any transaction contemplated hereby or thereby. Buyer and Parent will at all times (i) be entitled to rely upon any communication with Representative as being binding with respect to each Seller Party, (ii) have no obligation to otherwise communicate with any Seller Party (including indemnification matters) and (iii) not be liable to any Seller Party for any action taken or omitted to be taken by Buyer or Parent.

(i) Risk of Loss. Each Seller will bear all risk of loss, destruction, or damage to any of the Purchased Assets of such Seller occurring prior to the Closing, regardless of circumstance. Buyer will have no responsibility with respect thereto.

(j) Press Release and Public Announcements. Except as otherwise required by Law, no Seller Party will, and will not permit any of their respective Affiliates, representatives or advisors to, issue or cause the publication of any press release or make any other public announcement, including any tombstone advertisements or any announcements to employees, customers or suppliers of any Seller or the Business with respect to the transactions contemplated by this Agreement and the Related Agreements without the

prior written consent of Buyer. Notwithstanding anything in this Agreement to the contrary, following the Closing, Buyer, Parent, or any of their respective Affiliates, representatives or advisors may issue or cause the publication of any press release or make any other public announcement, including any tombstone advertisements, with respect to the transactions contemplated by this Agreement and the Related Agreements without the prior written consent of Representative. Notwithstanding anything to the contrary in this Section 9.1(j), Parent will not file an 8-K form regarding entry into a material definitive agreement regarding this Agreement until the date which is two days following the date hereof.

(k) Partial Invalidity. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

(l) Interpretation. In this Agreement: (a) headings are for convenience of reference only and will not affect the meaning or interpretation of this Agreement; (b) the words "herein," "hereunder," "hereby" and similar words refer to this Agreement as a whole (and not to the particular sentence, paragraph, Article or Section where they appear); (c) terms used in the plural include the singular, and vice versa, unless the context clearly requires otherwise; (d) unless otherwise required by the context in which they appear, the terms "assets" and "properties" are used interchangeably; (e) unless expressly stated herein to the contrary, reference to any document (except for any reference to a document in the Disclosure Schedule) means such document as amended or modified and as in effect from time to time pursuant to the terms thereof; (f) unless expressly stated herein to the contrary, reference to any Law means such Law as amended, modified, codified, replaced or reenacted, in whole or in part, and as in effect from time to time, including any rule or regulation promulgated thereunder; (g) the words "including," "include" and variations thereof are deemed to be followed by the words "without limitation"; (h) "or" is used in the sense of "and/or"; "any" is used in the sense of "any or all"; and "with respect to" any item includes the concept "of" such item or "under" such item or any similar relationship regarding such item; (i) unless expressly stated herein to the contrary, reference to a document, including this Agreement, will be deemed to also refer to each annex, addendum, exhibit, schedule or other attachment thereto; (j) unless expressly stated herein to the contrary, reference to an Article, Section, Schedule, Disclosure Schedule, or Exhibit is to an article, section, schedule, the Disclosure Schedule, or exhibit, respectively, of this Agreement; (k) when calculating a period of time, the day that is the initial reference day in calculating such period will be excluded and, if the last day of such period is not a Business Day, such period will end on the next day that is a Business Day; (l) with respect to all dates and time periods in or referred to in this Agreement, time is of the essence; (m) the terms "shall" and "will" are used interchangeably; and (n) the phrase "the date hereof" means the date of this Agreement, as stated in the first paragraph hereof. All dollar ($) references in this Agreement are to United States dollars and all amounts that are to be calculated or paid hereunder will be calculated or paid in United States dollars. The Parties acknowledge and agree that any reference herein or in the Disclosure Schedule to documents having been furnished, delivered, made available or disclosed to Buyer, or words of similar import, will be deemed to refer to such documents as were made available and accessible to Buyer and Buyer's representatives for their review by posting (and not subsequently removing) to the "Project Smoke" folder in the electronic data room hosted by Dropbox.com before 5:00 p.m., Mountain Time, on the date that is three (3) Business Days prior to the date hereof.

(m) Assignment. This Agreement and all of the provisions hereof and the other documents or agreements contemplated hereby will be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder or under any of the other documents or agreements contemplated hereby will be assigned by any Seller Party without the prior written consent of Buyer. Each Seller Party specifically consent to the assignment by Buyer or Parent of such Person's rights under this Agreement and the other documents or agreements contemplated hereby to such Person's successors and assigns.

(n) Counterparts. This Agreement may be executed in separate counterparts, each of which when so executed will be an original, but all of such counterparts will together constitute but one and the same instrument. This Agreement, which term as used throughout includes the Exhibits and Schedules hereto, embodies the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein.

(o) Entire Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to such subject matter.

[*Signature Pages Follow*]

If you are in agreement with the foregoing, please so indicate by signing and returning one copy of this Asset Agreement, whereupon it will constitute the agreement of the Parties with respect to the subject matter hereof.

BUYER:
SMOKE HOLDCO, LLC

By:Schwazze Colorado, LLC
Its:Sole Member
By:Medicine Man Technologies, Inc.
Its:Sole Member

By: _____
Name: Dan Pabon
Title: General Counsel and Chief Government Affairs Officer

PARENT:
MEDICINE MAN TECHNOLOGIES, INC. (D/B/A SCHWAZZE)

By: _____
Name: Dan Pabon
Title: General Counsel and Chief Government Affairs Officer

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

SELLERS:

CANNABIS CARE WELLNESS CENTERS, LLC (D/B/A SMOKEY'S)

By: _____
Name: Thomas Jerome Wilczynski
Title: Manager

GREEN MEDICALS WELLNESS CENTER #5, LLC (D/B/A SMOKEY'S)

By: _____
Name: Thomas Jerome Wilczynski
Title: Manager

EQUITYHOLDERS:

_____
Jeremy Ryan Lewchuk

_____
Thomas Jerome Wilczynski

T&B HOLDINGS LLC

By: _____
Name: Todd Wayne Campbell
Title: Managing Member

REPRESENTATIVE:

_____
Thomas Jerome Wilczynski, solely in his capacity as
the Representative of the Seller Parties

EXHIBIT A
DEFINITIONS

"Accounts Receivable" means any trade accounts receivable, notes receivable, credit card receivables and other receivables of any Seller.

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with, such Person. A Person will be presumed to have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another Person, whether through ownership of voting securities, by Contract or otherwise.

"Application Fees" means all change of ownership fees paid to a Governmental Authority with respect to Buyer's acquisition of the Purchased Assets.

"Approval" or "Approvals" means any and all approvals from MED, the City Clerk's Office of the city of Fort Collins, the Town Hall of the town of Garden City, or any other Governmental Authority that are required under applicable Law for (a) the transfer by any Seller to Buyer of any Permit (b) the consummation of the transactions contemplated by this Agreement; and (c) the Modification Applications.

"Bill of Sale" means the Bill of Sale and Assignment and Assumption Agreement, in substantially the form attached hereto as Exhibit B.

"Business Day" means a day other than Saturday, Sunday or any bank holiday in Denver, Colorado.

"Contract" means any contract, agreement, understanding, commitment, purchase order, warranty or guarantee, license, use agreement, lease (whether for real estate, a capital lease, an operating lease or other lease), instrument or note, in each case, whether oral or written.

"Damages" means any losses, costs, damages, Liabilities, Taxes, expenses, Legal Proceedings or Orders (including reasonable legal fees and expenses and all amounts paid in investigation, defense or settlement of any of the foregoing), whether asserted by third parties or incurred or sustained in the absence of third-party claims.

"Employee Benefit Plan" means any retirement, pension, profit sharing, deferred compensation, equity bonus, savings, bonus, incentive, cafeteria, medical, dental, vision, hospitalization, life insurance, accidental death and dismemberment, medical expense reimbursement, dependent care assistance, welfare, tuition reimbursement, disability, sick pay, holiday, vacation, employment, consulting, independent contractor, personal services, retention, severance, change of control, equity purchase, equity option, restricted equity, phantom equity, equity appreciation rights, loan, fringe benefit or other compensation or benefit plan, fund, policy, program, practice, Contract or arrangement of any kind (including any "employee benefit plan," as defined in Section 3(3) of ERISA, whether or not subject to ERISA), whether written or oral, qualified or nonqualified, funded or unfunded, or domestic or foreign, (a) that is sponsored, maintained, contributed to or required to be contributed to by any Seller or any ERISA Affiliate (or to which any Seller or ERISA Affiliate is a party) and that covers or benefits any current or former employee, officer, director, manager, consultant, independent contractor or other service provider of or to any Seller (or any spouse, domestic partner, dependent or beneficiary of any such individual), or (b) with respect to which any Seller has (or could have) any Liability (including any contingent Liability).

"Encumbrance" means any security interest, lien (including any mechanic's lien, materialmen's lien or Tax lien), restriction, claim, pledge, encumbrance, mortgage, deed of trust, option, restriction on transfer, imperfection of title, easement, encroachment, preemptive right, right of first refusal, right of first offer or charge of any kind or nature, whether consensual, statutory or otherwise.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any Person, trade or business that, together with any Seller, is (or, at any time, was) treated as a single employer under Section 414(b), (c), (m) or (o) of the Code or Section 4001(a)(14) or 4001(b)(1) of ERISA.

"Excluded Seller IP" has the meaning set forth on Schedule 1.1(b).

"Fort Collins Lease Agreement" means that certain Lease Agreement, by and between Buyer and Fort Collins Owner, commencing at the Closing, in substantially the form attached hereto as Exhibit E.

"Fort Collins Owner" means 5740 South College Avenue, LLC, a Colorado limited liability company.

"Fundamental Representations" means the representations and warranties set forth in Section 3(a), Section 3(b), Section 3(c), Section 3(d), Section 3(e), Section 3(j), Section 3(k), Section 3(l), Section 3(r) and Section 3(t).

"GAAP" means generally accepted accounting principles in the United States, consistently applied.

"Garden City Lease Agreement" means that certain Lease Agreement between Buyer and Garden City Owner, providing Buyer with possession of the portion of the Garden City Location related to the Purchased Licenses for a period commencing at the Closing, in substantially the form attached hereto as Exhibit F.

"Garden City Owner" means Tom Wilczynski as to a 75% interest, and END-IRA, Inc. FBO Jeremy R. Lewchuk IRA, as to a 25% interest, as Tenants in Common, individually, and jointly and severally.

"Governmental Authority" means any nation, state or province or any municipal or other political subdivision thereof, and any agency, commission, department, board, bureau, official, minister, tribunal or court, whether national, state, provincial, local, non-U.S.,

multinational or otherwise, exercising executive, legislative, judicial, regulatory, taxing or administrative functions of a nation, state or province or any municipal or other political subdivision thereof, and any arbitrator or arbitral body.

"Indebtedness" means, without duplication, any Liability under or for any of the following (excluding any trade payable incurred in the ordinary course of business), including any accrued interest, fees or other expenses regarding any of the foregoing, including any prepayment penalties or premiums, consent fees, break fees or similar payments or contractual charges: (a) indebtedness for borrowed money (including as a guarantor or if guaranteed or for which a Person is otherwise liable or responsible, including an obligation to assume indebtedness); (b) note, bond, debenture or similar instrument (including a letter of credit); (c) surety bond; (d) swap, hedging or similar Contract; (e) capital lease; (f) banker acceptance; (g) purchase money mortgage, indenture, deed of trust or other purchase money lien or conditional sale or other title retention Contract; (h) the deferred purchase price of property or services with respect to which such Person is liable (regardless of how structured), contingently or otherwise, as obligor or otherwise; or (i) Liability secured by any Encumbrance on any asset or property.

"IP" means, collectively: (a) all rights (anywhere in the world, whether statutory, common law or otherwise) in or affecting intellectual or industrial property or other proprietary rights, including with respect to the following: (i) patents and applications therefor, and patents issuing thereon, including continuations, divisionals, continuations-in-part, reissues, reexaminations, renewals and extensions; (ii) copyrights and registrations and applications therefor, works of authorship, "moral" rights and mask work rights; (iii) domain names, uniform resource locators and other names and locators associated with the internet, including applications and registrations thereof; (iv) telephone numbers; (v) trademarks, trade dress, trade names, logos and service marks, together with the goodwill symbolized by or associated with any of the foregoing and any applications, registrations and renewals therefore; (vi) all technology, ideas, research and development, inventions, manufacturing and operating specifications and processes, schematics, know-how, formulae, customer and supplier lists, shop rights, designs, drawings, patterns, trade secrets, confidential information, technical data, databases, data compilations and collections, web addresses and sites, software, computer architecture, and documentation; (vii) all other intangible assets, properties or rights; and (viii) the right to file applications and obtain registrations for any of the foregoing and claim priority thereto; (b) all claims, causes of action and rights to sue for past, present and future infringement or misappropriation of the foregoing, and all proceeds, rights of recovery and revenues arising from or pertaining to the foregoing; and (c) all copies and tangible embodiments of any of the foregoing (in whatever form or medium).

"IP Assignment Agreement" means the Intellectual Property Assignment Agreement, in substantially the form attached hereto as Exhibit C.

"Law" means any applicable provision of any constitution, treaty, statute, law (including the common and civil law), rule, regulation, ordinance, guidance, code or order enacted, adopted, issued or promulgated by any Governmental Authority, excluding any federal laws and regulations in connection with the manufacturing, sale and/or trafficking of marijuana.

"Legal Proceeding" means any claim (whether or not commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority) or other action, suit, arbitration, mediation, claim, audit, investigation, demand, hearing, petition, dispute, controversy, complaint, charge, inquiry, litigation, proceeding or administrative investigation.

"Liability" means any obligation or liability of any nature whatsoever, whether direct or indirect, matured or unmatured, known or unknown, absolute, accrued, contingent, due or to become due, or otherwise.

"Lock-up Agreements" means the Lock-up Agreements in substantially the form attached hereto as Exhibit D.

"Marijuana Inventory" means saleable marijuana products located at the Locations, including marijuana flower, trim, concentrate or infused product, which is not spoiled, unusable, expired or otherwise non-saleable.

"Materiality Qualifier" means any qualification for or references to "materially," "materiality," "material," "in all material respects" and words of similar import.

"MED" means the Colorado Marijuana Enforcement Division.

"Order" means any order, conciliation, settlement, stipulation, ruling, requirement, notice, directive, award, decree, judgment or other determination of any Governmental Authority.

"Ordinary Course of Business" means, with respect to each Seller, the ordinary course of business of such Seller consistent with its past regular custom and practice, including, as applicable, with respect to quantity and frequency.

"Owned IP" means all each Seller's IP other than IP licensed to any Seller pursuant to a written license agreement.

"Parent Common Stock" means unregistered shares of the common stock, par value $0.001, of Parent.

"Per Parent Share Price" means the price per share as of the market close on the first trading day immediately preceding (a) the Closing Date (with respect to the Stock Consideration paid at Closing), (b) the Release Date (with respect to the Deferred Shares) or (c) the date on which all outstanding claims have been resolved pursuant to Section 8.1(e) (with respect to any unissued Deferred Shares).

"Permit" means any permit, registration, approval, license, certificate or authorization issued by any Governmental Authority or quasi-governmental or self-regulatory body, including each of the Purchased Licenses.

"Person" means any Governmental Authority, individual, partnership, limited liability company, association, corporation or other entity or organization.

"Personal Information" means any information that alone or in combination with other information can be used to specifically identify any natural Person, together with any other information that is combined with or linked to any of the foregoing information and including all de-identified data and all aggregated data derived from any of the foregoing information.

"Pro Rata Portion" means (a) with respect to Sellers: (i) with respect to Cannabis Care, 50% and (ii) with respect to Green Medicals, 50%; and (b) with respect to Equityholders, (i) with respect to Wilczynzki, 36.25%, (ii) with respect to Lewchuk, 36.25%, and (iii) with respect to T&B, 27.50%.

"Processed" or "Processing" means any operation performed on data or information, including the collection, creation, receipt, access, use, handling, compilation, processing, analysis, monitoring, maintenance, storage, purchase, sale, transmission (including cross-border), transfer, protection, disclosure, deletion, destruction, or disposal of data or information.

"Redemption Agreement" means that certain Membership Interest Redemption Agreement by and among Cannabis Care, Green Medicals, and each of the Equityholders, of equal date hereto, whereby, following the Closing, Sellers will redeem the membership interests of Lewchuk and T&B, a complete, correct, and accurate copy of which has been made available to Buyer.

"Registered IP" means any Owned IP that is the subject of an application or registration with any Governmental Authority, including any domain name registration and any application or registration for any patent, copyright or trademark.

"Registered Parent Common Stock" means the shares of the common stock, par value $0.001, of Parent registered pursuant to the Securities Act, as amended.

"Related Agreements" means the Bill of Sale, the Closing Certificates, the Lock-Up Agreements, the IP Assignment Agreement, the Garden City Lease Agreement, the Fort Collins Lease Agreement, the Supply Agreement, and all other documents, agreements and instruments executed and delivered in connection with this Agreement.

"Seller Shaw Payment" means that certain payment of $125,000 to Aaron Shaw, an individual, which will be treated as a Seller Transaction Expense at Closing

"Seller IP" means any and all IP used, held for use, owned or purported to be owned (in whole or in part) by any Seller or licensed to any Seller, in each case, in connection with the Business. Seller IP does not include any Excluded Seller IP.

"Sellers' Knowledge" means the actual or constructive knowledge of each Equityholder, Melinda Kadinger and Todd Wayne Campbell after reasonable inquiry and investigation (including due inquiry of Persons knowledgeable about the subject matter thereof).

"Seller Parties" means, collectively, each Seller and each Equityholder.

"Seller Transaction Expenses" means all fees and expenses incurred by or on behalf of any Seller Party or any of their Affiliates at or prior to the Closing in connection with the preparation, negotiation and execution of this Agreement and the Related Agreements, including: (a) any brokerage fees and any other fees and disbursements of lawyers, accountants, investment bankers and other advisors and service providers, (b) any transaction, incentive or stay bonus or termination or change of control payment payable to any Person by any Seller Party or their Affiliates as a result of the Closing, (c) the fees and expenses of the creation and maintenance of the electronic data room hosted by Dropbox.com, (d) any fees, expenses or other liabilities to the extent incurred by or at the direction of any Seller Party or otherwise relating to any Seller Party's obtaining any consent or waiver for the transactions contemplated hereby or any other liabilities or obligations incurred or arranged by or on behalf of any Seller Party or any of their respective Affiliates in connection with the consummation of the transactions contemplated hereby, (e) any Transfer Taxes and (f) the Seller Shaw Payment.

"Supply Agreement" means that certain Supply Agreement of equal date hereto related to the purchase of wholesale marijuana and marijuana products by Buyer from Seller or Seller's Affiliates, substantially in the form attached hereto as Exhibit G.

"Tax" means (a) all federal, state, local, and non-U.S. income, gross receipts, sales, use, production, ad valorem, value-added, alternative or add-on minimum, intangible, goods and services, capital stock, transfer, franchise, registration, profits, capital gains, business, license, lease, service, service use, withholding, payroll, social security, disability, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes of any kind whatsoever, whether disputed or not, including liabilities under escheat and unclaimed property Laws, (b) all other fees, assessments or charges in the nature of a tax, (c) any fine, penalty, interest or addition to tax with respect to any amounts of the type described in (a) and (b) above, and (d) any Liability for the payment of any amounts of the type described in clauses (a)-(c) above as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, as a result of a tax sharing, tax allocation or tax indemnification Contract, as a transferee or successor, by operation of Law or otherwise.

"Tax Return" means any return, declaration, report, filing, estimate, claim for refund, information return, statement or other similar document relating to any Tax, including any schedule or attachment thereto and including any amendment thereof, that is filed or required to be filed with any Governmental Authority or provided or required to be provided to a payee.

"Trinidad Agreement" means, collectively, that certain Asset Purchase Agreement dated March 5, 2021, by and between CC Trinidad LLC and M&M Distributing LLC, a Colorado limited liability company, that certain Contract to Buy and Sell Real Estate (Commercial) dated February 26, 2021 by and between 422 Commercial LLC and John Micheliza, Trustee of the John E. Micheliza Trust UD May 22, 2007, as amended, Joseph DeAngelis and Geraldine DeAngelis, Trustees of the Joseph DeAngelis and Geraldine DeAngelis Revocable Trust UD May 22, 2007, Nicholas Reyes, Michael Reyes and Alicia Reyes, Trustees of the Judith A. Reyes Revocable Trust,

U/T/D May 24, 2007, that certain limited liability company operating agreement of CC Trinidad, LLC, and that certain limited liability operating agreement of 422 Commercial, LLC, none of which have been made available to Buyer.

EXHIBIT B

FORM OF BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT

[omitted]

EXHIBIT C

FORM OF IP ASSIGNMENT

[omitted]

EXHIBIT D

FORM OF LOCK-UP AGREEMENT

[omitted]

EXHIBIT E

FORT COLLINS LEASE AGREEMENT

[omitted]

EXHIBIT F

GARDEN CITY LEASE AGREEMENT

[omitted]

EXHIBIT G

SUPPLY AGREEMENT

[omitted]

Exhibit 31.1

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

I, Justin Dye, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary 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 procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based 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: May 11, 2023

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

Exhibit 31.2

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

I, Forrest Hoffmaster, 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 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 procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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: May 11, 2023

/s/ Forrest Hoffmaster
Forrest Hoffmaster, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this quarterly report of Medicine Man Technologies, Inc. (the "Company") on Form 10-Q for the fiscal period ended March 31, 2023, 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 Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 11, 2023

/s/ Justin Dye
Justin Dye, Chief Executive Officer

Dated: May 11, 2023

/s/ Forrest Hoffmaster
Forrest Hoffmaster, Chief Financial Officer