

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

**FORM 10-K**

(Mark one)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2021
- ☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number **000-55450**

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

**Nevada**  
(State or other jurisdiction of  
Incorporation or organization)

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

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

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

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

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

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

**Common Stock, \$0.001 par value per share**  
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) 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 and post 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Act.

Large accelerated filer ☐  
Non-accelerated filer ☒

Accelerated filer ☐  
Smaller reporting company ☒  
Emerging growth company ☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting and non-voting common equity (common stock) held by non-affiliates of the Registrant as of the close of business on June 30, 2021 was approximately \$102.8 million based upon the closing sale price of the Common Stock on OTC Markets, Inc. on that date.

The number of shares outstanding of the Registrant's \$0.001 par value Common Stock as of the close of business on March 25, 2022 was 45,629,812.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's proxy statement for our 2022 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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## TABLE OF CONTENTS

	<u>Page No.</u>
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	1
Item 1A. <a href="#">Risk Factors</a>	9
Item 1B. <a href="#">Unresolved Staff Comments</a>	26
Item 2. <a href="#">Properties</a>	27
Item 3. <a href="#">Legal Proceedings</a>	29
Item 4. <a href="#">Mine Safety Disclosures</a>	30
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	31
Item 6. <a href="#">[Reserved]</a>	31
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	32
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	37
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	37
Item 9. <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	38
Item 9A. <a href="#">Controls and Procedures</a>	38
Item 9B. <a href="#">Other Information</a>	39
Item 9C. <a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	39
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	40
Item 11. <a href="#">Executive Compensation</a>	40
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	40
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	40
Item 14. <a href="#">Principal Accounting Fees and Services</a>	40
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibit and Financial Statement Schedules</a>	41
Item 16. <a href="#">Form 10-K Summary</a>	47
<a href="#">Signatures</a>	48

## FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (the “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), 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,” “intends,” “plans,” “strategy,” “prospects,” “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. 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. There can be no assurance that future events, results, performance or achievements will be in accordance with our expectations or that the effect of future events, results, performance or achievements will be those anticipated by us.

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

### *Risks Related to Our Operations*

- our short operating history, which makes it difficult to predict future results;
- our history of losses in prior periods and our inability to become profitable in the future;
- our ability to protect our proprietary rights;
- assertions of infringements of proprietary rights by us;
- our ability to compete effectively;
- availability of capital necessary to execute our growth strategy;
- our ability to service and repay our indebtedness and risks related to default under our indebtedness;
- conflicts of interest involving our officers or directors;
- exposure to new or increased risks as a result of expansion into new jurisdictions;
- our inability to successfully identify and consummate future acquisitions or dispositions and realize benefits therefrom;
- costs associated with failed acquisitions and adverse effects on subsequent attempts to identify and consummate other acquisitions;
- exposure to new or increased risks as a result of acquisitions;
- reliance on key utility services and volatility of energy costs;
- reductions or changes in consumer spending;
- consumer acceptance of cannabis products;
- product liability claims from injury suffered from our products;
- our ability to obtain and maintain required licenses;
- cyber attacks, privacy breaches and other information technology risks;
- inadequate insurance coverage to cover risk exposures;
- the COVID-19 pandemic; and
- impairment of goodwill or other intangible assets.

### *Risks Related to Our Industry*

- the manufacturing, cultivation, and sale of cannabis is illegal under federal law;
- our dependence on state law to conduct our business;
- compliance with federal, state and local laws in the jurisdictions we operate;
- uncertainty in the application of federal, state and local laws to our business;
- future changes in federal, state and local laws and difficulty or inability to implement or comply with them;
- unsafe concentration of heavy metals and other contaminants in our products;
- risks related to agricultural processes;
- our inability to source raw materials for our products;
- uncertainty regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- uncertainty related to the regulation of vaporization products and related regulatory compliance burdens;
- uncertainty surrounding the long-term health effects of the use of vaporization products;
- our ability to succeed as a participant in a new and novel industry;
- negative publicity related to the cannabis industry or our brands or business;
- our inability to deduct all of our business expenses;
- opposition to the cannabis industry from other industries;
- our ability to comply with laws regulating money laundering, record keeping and proceeds of crimes; and
- our inability to protect our intellectual property or seek bankruptcy protection due to the current regulatory framework applicable to the cannabis industry.

### *Risks Related to our Capital Stock*

- dilution as a result of future issuance of shares of our common stock, par value \$0.001 per share (the “Common Stock”) and other securities;
- low trading volume in our Common Stock and potential lack of a trading market for our Common Stock in the future;
- fluctuation in and volatility of the market price of our Common Stock;
- limits of a stockholders’ ability to buy and sell Common Stock as a result of Financial Industry Regulatory Authority (“FINRA”) sales practice requirements;
- our capital stock is subject to suitability requirements that our stockholders may not meet;
- variations in our future financial results and its impact on the market price of our Common Stock;
- our Series A Cumulative Convertible Preferred Stock, par value \$0.001 per share (the “Preferred Stock”), our right to issue additional preferred stock, our classified Board of Directors and provisions of our Articles of Incorporation, as amended (the “Articles of Incorporation”) and Amended and Restated Bylaws (the “Bylaws”) may delay or prevent a take-over that may not be in the best interests of our stockholders;
- the significant influence that management and our principal stockholders have on matters requiring a stockholder vote;
- the possibility that our Common Stock and other securities are less attractive to investors as a result of being a “smaller reporting company;”
- our historical practice of not paying dividends, and the expectation to continue such practice for the foreseeable future; and
- decreases in the value of the Preferred Stock as a result of a decrease in the value of our Common Stock;

### *General Risk Factors*

- our executive officers devoting time to business ventures unrelated to the Company;
- our dependence on hiring and retaining qualified management and personnel;
- economic conditions in the United States and the jurisdictions in which we operate;
- our failure to maintain adequate internal controls;
- inaccurate assumptions or judgments used in preparing financial statements;
- unforeseen or catastrophic events;
- changes in tax and accounting requirements and difficulty or inability to implement or comply with them;
- current and future litigation;
- our lack of experience operating as a public reporting company; and
- strains on our resources, diversion of management’s attention and our ability to attract and retain executive management and qualified board members as a result of being a public company;

We discuss these risks and factors that could cause actual events, results, performance or achievements to differ materially from our expectations in more detail under “Item 1. Business”, “Item 1A. Risk Factors”, “Item 3. Legal Proceedings” and “Item 7. Management’s Discussion and Analysis of Operations”.

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.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Considering these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements concerning other matters addressed in this 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. Stockholders and potential investors should not place undue reliance on these forward-looking statements.

## PART I

### ITEM 1. BUSINESS.

#### HISTORY

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 a non-exclusive Technology License Agreement with Futurevision, Inc., f/k/a Medicine Man Production Corp., dba Medicine Man Denver (“Medicine Man Denver”), pursuant to which Medicine Man Denver granted the Company a license to use all of the proprietary processes that it had developed, implemented and practiced at its cannabis facilities relating to the commercial growth, cultivation, marketing and distribution of medical and recreational marijuana pursuant to relevant state laws and the right to use and to license such information, including trade secrets, skills and experience (present and future) for 10 years.

In 2017, the Company acquired additional cultivation intellectual property through the acquisition of Success Nutrients™ and Pono Publications, including the rights to the book titled “Three A Light” and the proprietary cultivation techniques documented therein, which have been part of the Company’s product and service offerings since the acquisition. The Company acquired Two J’s LLC d/b/a The Big Tomato in 2018, which operates a retail location in Aurora, Colorado. It has been a leading supplier of hydroponics and indoor gardening supplies in the metro Denver area since May 2001.

On July 21, 2017, the Company issued 2,258,065 shares of its Common Stock for 100% ownership of Denver Consulting Group (“DCG”).

From June 5, 2019 through May 21, 2020, the Company completed a private placement of shares of Common Stock and warrants to purchase shares of Common Stock for aggregate gross cash proceeds of approximately \$18,575,000. In the private placement, the Company issued and sold an aggregate of 9,287,000 shares of Common Stock at a price of \$2.00 per share and warrants to purchase an aggregate of 9,287,000 additional shares of Common Stock at an exercise price of \$3.50 per share.

The Company was focused on cannabis dispensary and cultivation consulting and providing equipment and nutrients to cannabis cultivators until its first plant touching acquisition in April of 2020. In 2019, due to the changes in Colorado law permitting non-Colorado resident and publicly traded investment into “plant-touching” cannabis companies, the Company made a strategic decision to move toward direct plant-touching operations. The Company developed a plan to roll up a number of direct plant-touching dispensaries, manufacturing facilities, and cannabis cultivations with a target to be one of the largest seed to sale cannabis businesses in Colorado. In April 2020, the Company acquired its first plant-touching business, Mesa Organics Ltd. d/b/a Purplebee’s (“Purplebee’s”), which consisted of four dispensaries and one manufacturing infused products facility.

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

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

On December 17, 2020, the Company acquired the assets of (i) Starbuds Pueblo LLC, and (ii) Starbuds Alameda LLC under separate Asset Purchase Agreements. On December 18, 2020, the Company acquired the assets of (i) Starbuds Commerce City LLC, (ii) Lucky Ticket LLC, (iii) Starbuds Niwot LLC, and (iv) LM MJC LLC under separate Asset Purchase Agreements. On February 4, 2021, the Company acquired the assets of (i) Colorado Health Consultants LLC, and (ii) Mountain View 44th LLC under separate Asset Purchase Agreements. On March 2, 2021, the Company acquired the assets of (i) Starbuds Aurora LLC, (ii) SB Arapahoe LLC, (iii) Citi-Med LLC, (iv) Starbuds Louisville LLC, and (v) KEW LLC under separate Asset Purchase Agreements. The Company refers to this series of acquisitions as the “Star Buds Acquisition.”

From December 2020 through March 2021 the Company completed a private placement of Preferred Stock for aggregate gross proceeds of \$52.7 million dollars. In the private placement, the Company issued and sold an aggregate of 52,700 shares of Preferred Stock at a price of \$1,000 per share under securities purchase agreements with Dye Capital Cann Holdings II, LLC (“Dye Cann II”) and CRW Capital Cann Holdings, LLC (“CRW”) as well as subscription agreements with unaffiliated investors. 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.

On July 21, 2021, the Company acquired the assets of Southern Colorado Growers that are used in, held for use in or related to the seller's business of growing, distributing and marketing recreational cannabis products, including its licenses, under an Asset Purchase Agreement. On the same date, the Company also acquired approximately 36 acres of real property with outdoor cultivation capacity located in Huerfano County, Colorado, together with, among other things, all structures and improvements thereon, from BWR L.L.C. pursuant to an Agreement of Purchase and Sale.

On December 3, 2021, the Company and all its direct and indirect subsidiaries (the "Subsidiary Guarantors") entered into a Securities Purchase Agreement (the "Note 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, Chicago Admin, LLC, as collateral agent (the "Indenture Collateral Agent"), Ankura Trust Company, LLC, as trustee (the "Indenture Trustee"), and the Subsidiary Guarantors (the "Indenture"). The Company received net proceeds of approximately \$92 million at the closing, after deducting a commission to the placement agent and estimated offering expenses. 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.

On December 21, 2021, the Company acquired the assets of Smoking Gun, LLC ("Smoking Gun") and Smoking Gun Land Company, LLC ("SG Land"), pursuant to an Asset Purchase Agreement entered into on November 13, 2021 (the "Smoking Gun APA") with Double Brow, LLC, a wholly-owned subsidiary of the Company ("Double Brow"), Smoking Gun, SG Land, and Deborah Dunafon, Ralph Riggs, George Miller, Lindsey Mintz, Terry Grossman and Annette Gilman (collectively, the "SG Members"). At the closing, Double Brow purchased (i) all of Smoking Gun's assets used or held for use in Smoking Gun's business of distributing and marketing recreational cannabis products through Smoking Gun's retail marijuana store located in Glendale, Colorado, and (ii) all of SG Land's tangible and intangible assets related to certain leased property, including fixtures, furniture and equipment related thereto (the "Smoking Gun Asset Purchase"), and assumed obligations under contracts acquired as part of the Smoking Gun Asset Purchase. The aggregate closing consideration for the Smoking Gun Asset Purchase was \$4 million in cash and 100,000 shares of Common Stock. The Company held back \$100,000 of the cash consideration and deposited it with an escrow agent as collateral for potential claims for indemnification from Smoking Gun under the Smoking Gun APA. Any portion of the held back cash consideration not used to satisfy indemnification claims will be released to Smoking Gun on December 21, 2022.

On January 26, 2022, the Company acquired the assets of BG3 Investments, LLC, dba Drift ("Drift"), and Black Box Licensing, LLC pursuant to an Asset Purchase Agreement entered into on June 25, 2021 with Double Brow, Drift, Black Box Licensing, LLC and Brian Searchinger, the sole equity holder of Drift and an equityholder of Black Box Licensing, LLC, as amended on October 28, 2021. The acquired assets include (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 dispensary retail stores located in Boulder, Colorado. The aggregate closing consideration for the acquisition was (i) \$1,915,750 in cash, and (ii) 912,666 shares of Common Stock issued to Drift. The Company may be required to issue up to 154,000 additional shares of Common Stock as consideration, which the Company is holding back as collateral for indemnification claims pursuant to the Asset Purchase Agreement. Any portion of the held-back stock consideration not used to satisfy indemnification claims will be released as follows: (i) 50% of the held-back stock consideration will be released on June 30, 2022; and (ii) 50% of the held-back stock consideration will be released on December 31, 2022.

On February 9, 2022, the Company acquired MCG, LLC ("MCG") 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, 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, Emerald Fields Merger Sub, LLC merged with and into MCG, with Emerald Fields Merger Sub, LLC continuing as the surviving entity. The aggregate closing consideration for the merger was \$29 million, consisting of: (i) \$16,008,000 in cash; (ii) 6,547,239 shares of the Common Stock issued to the members of MCG at a price of \$1.63 per share; and (iii) an aggregate of \$2,320,000 was held back as collateral for potential claims for indemnification under the MCG Merger Agreement as follows: (y) \$1,392,000 in cash and (z) 569,325 shares of Common Stock. The escrowed portion of the purchase price will be released 50% on February 9, 2023 (with such amount being paid from the escrowed cash first) and 50% on August 9, 2023. MCG operates two retail marijuana dispensaries located in Manitou Springs, Colorado and Glendale, Colorado.



On February 8, 2022, the Company acquired its New Mexico business under the terms of a Purchase Agreement, dated November 29, 2021, with Nuevo Holding, LLC and Nuevo Elemental Holding, LLC, both of which are indirect wholly-owned subsidiaries of the Company (collectively, the “Nuevo Purchasers”), Reynold Greenleaf & Associates, LLC (“RGA”), Elemental Kitchen and Laboratories, LLC (“Elemental”), the equity holders of RGA and Elemental, and William N. Ford, in his capacity as Representative, as amended on February 8, 2022 (the “Nuevo Purchase Agreement”). The Nuevo Purchasers acquired substantially all of 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 are 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 Holding, LLC gained control over the NFPs by becoming the sole member of each of the NFPs and replacing the directors of the two NFPs with Justin Dye, the Company’s Chief Executive Officer and one of its directors, Nancy Huber, the Company’s Chief Financial Officer, and Dan Pabon, the Company’s General Counsel, Chief Government Affairs Officer and Corporate Secretary. The business acquired from RGA consists of serving as a branding, marketing and consulting company, licensing certain intellectual property related to the business of THC-based products to Elemental and the NFPs, providing consulting services to Elemental and the NFPs, 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, with 10 dispensaries, four cultivation facilities (three operating and one under development) and one manufacturing facility. The dispensaries are located in Albuquerque, Santa Fe, Roswell, Las Cruces, Grants and Las Vegas, New Mexico. The cultivation and manufacturing facilities are located in Albuquerque, New Mexico and consists of approximately 70,000 square feet of cultivation and 6,000 square feet of manufacturing. On the same date, Nuevo Holding, LLC entered into two separate Call Option Agreements containing substantially identical terms with each of the NFPs. Each Call Option Agreement gives Nuevo Holding, LLC 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) \$27.7 million in cash, and (ii) \$17.0 million in the form of an unsecured promissory note issued by Nuevo Holding, LLC 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 Purchasers may be required to make a potential “earn-out” payment of up to \$4.5 million in cash to RGA and William N. Ford (as Representative) based on the EBITDA of the acquired business for calendar year 2021.

On February 15, 2022, Double Brow 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 Purchase Agreement. Any of the purchase price held back and not used to satisfy indemnification claims will be released on February 15, 2023 plus 3% simple interest.

On March 11, 2022, the Company entered into an Asset and Personal Goodwill Purchase Agreement (the “Urban Dispensary Purchase Agreement”) with Double Brow, Urban Health & Wellness, Inc. d/b/a Urban Dispensary (“Urban Dispensary”), Productive Investments, LLC (“Productive Investments”), and Patrick Johnson (together with Productive Investments, the “Urban Equityholders”), pursuant to which the Purchaser will purchase (i) all of Urban Dispensary’s assets used or held for use in Urban Dispensary’s business of owning and operating a retail marijuana store and a grow facility, each located in Denver, Colorado, and (ii) all of Equityholders’ personal goodwill arising from Equityholders’ independent, separate, individual and personal efforts relating to Urban Dispensary’s business on the terms and subject to the conditions set forth in the Purchase Agreement (the “Urban Dispensary Purchase”), and assume obligations under contracts acquired as part of the Urban Dispensary Purchase. The aggregate consideration for the Urban Dispensary Purchase will be up to \$1,317,500 million in cash and shares of Common Stock in an amount equal to \$1,900,000 divided by the price per share of the Common Stock as of market close on the first trading day immediately before the closing. The Company will deposit \$30,000 of the cash portion of the purchase price as an earnest money deposit with Urban Dispensary. At the closing, (i) the Company will use the cash portion of the purchase price to pay off certain indebtedness and transaction expenses of Urban Dispensary and then pay the balance to Urban Dispensary, and (ii) the Company will issue the stock portion of the purchase price directly to the Urban Equityholders. The stock consideration is subject to post-closing reduction if any of the actual marijuana product inventory, marijuana plant inventory or cash at closing is less than certain targets stated in the Purchase Agreement. The Company will hold back \$288,000 of the stock consideration at closing as collateral for potential claims for indemnification from Urban Dispensary under the Urban Dispensary Purchase Agreement. Any portion of the held back cash consideration not used to satisfy indemnification claims will be released to Urban Dispensary on the 18-month anniversary of the closing date of the Urban Dispensary Purchase.

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

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

## **CURRENT OPERATING SEGMENTS**

### **SEGMENT 1 – Retail – This segment currently includes our Retail dispensaries.**

#### **Dispensaries**

As of December 31, 2021, the Company owned and operated 18 retail cannabis dispensaries under two banner names, Star Buds and Smoking Gun Apothecary, in the greater Denver area and southeastern Colorado. As of March 14, 2022, the Company owned and operated (i) 23 retail cannabis dispensaries under four banner names, Star Buds, Smoking Gun Apothecary, Emerald Fields and Drift, in the greater Denver area and southeastern Colorado and (ii) 10 medical retail cannabis dispensaries under one banner, R. Greenleaf, in New Mexico. Our dispensaries sell a wide variety of cannabis products directly to tens of thousands of consumers. These products include loose flower, concentrates, edibles, pre-rolls, topicals, and other associated cannabis products produced by a large variety of cannabis vendors throughout Colorado and New Mexico.

### **SEGMENT 2 – Wholesale – This segment includes Purplebee's, Elemental, Colorado and New Mexico Cultivation**

#### **Purplebee's**

Purplebee's is our pure CO2 and ethanol extraction and manufacturing facility in Pueblo, Colorado. It produces cannabis products used in some of the leading edible products across the state. Purplebee's also produces high-quality vape cartridges and syringes. The Company purchases cannabis biomass, and trim from a large variety of cultivators in Colorado.

#### **Southern Colorado Growers**

Southern Colorado Growers is our cultivation facility in Huerfano County, Colorado. It includes approximately 36 acres of land with outdoor cultivation capacity as well as indoor, greenhouse and hoop house cultivation facilities and equipment. Production of cannabis and biomass are sold internally to other Company locations and externally to third parties.

#### **Brow**

Brow is our cultivation facility in Denver, Colorado. It includes 37,000 square foot building used for indoor cultivation. Production of cannabis and biomass are sold internally to other Company locations and externally to third parties.

#### **Elemental**

Elemental is an extraction and manufacturing facility in Albuquerque, New Mexico. It produces cannabis products, using cannabis and biomass produced by R. Greenleaf cultivation sites, such as edibles and vapes sold in R. Greenleaf dispensaries.

#### **R. Greenleaf Cultivation**

R. Greenleaf has three active indoor cultivation facilities in New Mexico with a fourth being built. The total indoor grow space is greater than 60,000 square feet with additional build-out adding almost 16,000 square feet. The current facilities produce cannabis and biomass for internal use by the New Mexico dispensaries or Elemental.

### **SEGMENT 3 – Other – This segment includes Success Nutrients, Big Tomato, Biosciences and Corporate**

#### **Success Nutrients**

Success Nutrients was incorporated in Colorado on May 5, 2015. Since inception it has been engaged in the manufacturing and wholesale and retail distribution of nine different plant nutrients for cannabis, each of which comes in three separate sizes. Success Nutrients' products are primarily marketed to the cannabis industry, specifically to cultivation experts and other growers in the cannabis industry.

#### **The Big Tomato Hydroponics Retail**

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

#### **Schwazze Biosciences LLC**

Schwazze Biosciences LLC is a wholly-owned research and development subsidiary. It is committed to pursuing an aggressive program of basic and applied research focused on bringing consumers, as well as pets, the most beneficial properties of the cannabis plant.

#### **Corporate and Other**

In prior years, we generated revenues from our consulting activities as well as seminars we conducted for prospective clients interested in entering the cannabis industry. During 2016, we began to limit these seminars and devote our resources to what we consider to be higher upside activities, including private consultation services and related matters. We expect these services to augment our existing seminar offerings and over time replace most of our local seminar offerings.

The Company offers private consulting services, seminars on various cannabis topics, facility design and management services, and new state licensing application support. The Company reserves the right to modify, add, omit, or otherwise modify any element of its consulting and service offerings without further notice.

#### **MARKETING**

The Company markets its products and services to consumers through various online efforts, loyalty programs, word-of-mouth reports and referrals, and promotions.

We are members of various industry groups and attend cannabis-specific conferences, which we believe aid in advancing our brand and skill sets. We have also created a database of marketing collateral materials and resources. We will continue to market our licensing and related services through direct referrals from satisfied licensees or former clients, various online advertising options utilizing industry-specific websites and Google ad words, and any additional measures we may choose to deploy from time to time. We also continue to coalesce interest and a presence within the industry through participation in various events and through direct promotion.

We continue to enhance our online presence via our website, <http://www.schwazze.com>, which includes updates to our home page, investors page and the Securities and Exchange Commission (“SEC”) reports included therein (through OTC Markets, Inc.) and our industry partners.

In our retail spaces, we promote products through our loyalty program and product promotions.

## GOVERNMENT REGULATIONS

Below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where we are currently directly involved, through our subsidiaries, in the cannabis industry. The Company is directly engaged in the manufacture, possession, sale, and distribution of cannabis in the adult-use cannabis marketplace in the State of Colorado.

The United States federal government regulates drugs in large part through the Controlled Substances Act, or CSA. Marijuana, which is a form of cannabis, is classified as a Schedule I controlled substance. As a Schedule I controlled substance, the federal Drug Enforcement Agency, or DEA, considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision. According to the U.S. federal government, cannabis having a concentration of tetrahydrocannabinol, or THC, greater than 0.3% is marijuana. Cannabis with a THC content below 0.3% is classified as hemp.

The scheduling of marijuana as a Schedule I controlled substance is inconsistent with what we believe to be widely accepted medical and recreational uses for marijuana by physicians, researchers, patients, and consumers. Moreover, as of March 21, 2022 and despite the clear conflict with U.S. federal law, at least 37 states and the District of Columbia have legalized marijuana for medical use. Nineteen of those states and the District of Columbia have legalized the adult-use of cannabis for recreational purposes, although South Dakota’s adult-use measure is subject to potential challenge. In November 2020, voters in Arizona, Montana, New Jersey and South Dakota voted by referendum to legalize marijuana for adult-use, and voters in Mississippi and South Dakota voted to legalize marijuana for medical use. South Dakota’s adult-use law was struck down by the South Dakota Supreme Court.

Unlike in Canada, which uniformly regulates the cultivation, distribution, sale, and possession of marijuana at the federal level under the Cannabis Act (Canada), marijuana is largely regulated at the state level in the United States. State laws regulating marijuana are in conflict with the CSA, which makes marijuana use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use marijuana production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of marijuana and any related drug paraphernalia is illegal. Although our activities are compliant with the applicable state and local laws in Colorado, strict compliance with state and local laws with respect to cannabis may neither absolve us of liability under United States federal law nor provide a defense to any federal criminal action that may be brought against us. In 2013, as more and more states began to legalize medical and/or adult-use marijuana, the federal government attempted to provide clarity on the incongruity between federal law and these state-legal regulatory frameworks.

Until 2018, the federal government provided guidance to federal agencies and banking institutions through a series of Department of Justice memoranda. The most notable of this guidance came in the form of a memorandum issued by former U.S. Deputy Attorney General James Cole on August 29, 2013, which we refer to as the Cole Memorandum. The Cole Memorandum offered guidance to federal agencies on how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states and quickly set a standard for marijuana-related businesses to comply with. The Cole Memorandum put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
4. Preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.

On January 4, 2018, former U.S. Attorney General Sessions rescinded the Cole Memorandum by issuing a new memorandum to all United States Attorneys, which we refer to as the Sessions Memo. Rather than establishing national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under state law, the Sessions Memo simply rescinded the Cole Memorandum and instructed that “[i]n deciding which marijuana activities to prosecute... with the [DOJ’s] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions.” Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.”

Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to marijuana (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law. Currently, in the absence of uniform federal guidance, as had been established by the Cole memorandum, enforcement priorities are determined by respective United States Attorneys.

As an industry best practice, despite the rescission of the Cole Memorandum, we abide by the following standard operating policies and procedures, which are designed to ensure compliance with the guidance provided by the Cole Memorandum:

1. Continuously monitor our operations for compliance with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
2. Ensure that our cannabis related activities adhere to the scope of the licensing obtained;
3. Implement policies and procedures to prevent the distribution of our cannabis products to minors;
4. Implement policies and procedures in place to avoid the distribution of the proceeds from our operations to criminal enterprises, gangs or cartels;
5. Implement an inventory tracking system and necessary procedures to reliably track inventory and prevent the diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or across any state lines in general;
6. Monitor the operations at our facilities so that our state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs or engaging in any other illegal activity; and
7. Implement quality controls so that our products comply with applicable regulations and contain necessary disclaimers about the contents of the products to avoid adverse public health consequences from cannabis use and discourage impaired driving.

In order to participate in either the medical or recreational sides of the marijuana industry in Colorado, New Mexico and elsewhere, all businesses and employees must obtain badges and licenses from the state or the Company and, for businesses, local jurisdictions. Colorado issues six types of business licenses including cultivation, manufacturing, dispensing, transport, research license and testing. New Mexico also issues six types of business licenses but for production, manufacturing, retail, micro-production, consumption lounges and couriers. All applicants for licenses undergo a background investigation, including a criminal record check for all owners and employees.

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

Laws and regulations affecting the adult-use marijuana industry are constantly changing, which could detrimentally affect our proposed operations. Local, state, and federal adult-use marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. It is also possible that regulations may be enacted in the future that will be directly applicable to our business. These ever-changing regulations could even affect federal tax policies that may make it difficult to claim tax deductions on our returns. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

## **EMPLOYEES**

As of March 25, 2022, we employ 389 full time and 29 part time employees. We also employ several specialty contractors to provide support for various roles, including retail sales in our dispensaries, wholesale sale and distribution of our cannabis and non-cannabis products, manufacturing, cultivation, and general corporate.

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

We use performance metrics to assess and reward employee performance, such as EBITDA targets, foot traffic, basket size and revenue per labor hour.

## **COMPETITION**

As the Company expanded its business and operations to include cannabis cultivation, manufacturing and retail activities, the universe of competitors also increased. We face substantial competition in each of our operating segments in the states in which we operate and throughout the United States. We currently operate in Colorado and New Mexico. As of March 4, 2022, there were 653 retail dispensaries and 420 licensed medical marijuana stores in Colorado. In New Mexico there are 508 licensed premises of which 228 are licensed retail locations.

The Company and its subsidiaries compete with a variety of different operators across the states in which they operate. In the majority of such states, there are specific license caps that create high barriers to entry. However, in some markets, such as Colorado, there are few caps on licenses creating a more open marketplace. Our most direct competitors within Colorado include a number of operators, such as The Green Solution ("TGS"), Native Roots, Green Dragon and LivWell. Our most direct competitors within New Mexico as of March 21, 2022, include Ultra Health, PurLife and Urban Wellness. The Company also views operators that have vertical operations outside of Colorado and New Mexico as potential strategic competitors due to our growth strategy, including Green Thumb Industries, Inc., iAnthus Capital Holdings, Inc., Acreage Holdings, Inc., and Curaleaf Holdings, Inc. Like the Company, these companies can realize centralized synergies to produce higher margins. In addition to operators, we also have a number of manufacturing competitors, including Columbia Care Inc., Craft Concentrates, WHT LBL Cannabis, Colorado Cannabis Company, and Spherex Inc. When New Mexico legalizes adult-use cannabis on April 1, 2022, we anticipate additional competitors to come into the market.

Additionally, the Company competes with the unregulated black and grey markets. As the regulatory environment continues to develop, management believes there will be a major reduction of these unregulated participants.

## **TRADEMARKS - TRADENAMES**

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

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

## **INDUSTRY ANALYSIS**

Nationally, the marijuana industry has continued to expand through the passage of legislation in many states permitting medical and/or recreational use of cannabis under state law. While there certainly appears to be a trend towards acceptance of cannabis, there are no assurances offered that this business will be able to sustain itself over time if the Federal Government changes its current position related to state legalized operations.

As of March 21, 2022 at least 37 states and the District of Columbia have legalized marijuana for medical use. Nineteen of those states and the District of Columbia have legalized the adult-use of cannabis for recreational purposes, although South Dakota's adult-use measure has been struck down by the South Dakota Supreme Court. In November 2020, voters in Arizona, Montana, New Jersey and South Dakota voted by referendum to legalize marijuana for adult-use, and voters in Mississippi and South Dakota voted to legalize marijuana for medical use.

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

Colorado has continued to set new sales growth-related records, generating about \$2.25 billion in gross sales in 2021; up from the \$2.21 billion recorded in 2020 noting many of those sales were related to adult use and the robust tourist industry. It is noteworthy that 2021 grew over 2020 in Colorado despite cycling of high 2020 sales due to COVID-19. New Mexico has continued to grow as well, generating about \$264 million of sales in 2021; up from the \$201 million in 2020. The Company anticipates an increase in sales in 2022 compared to prior years in New Mexico when adult-use is legalized on April 1, 2022.

## **Our Website**

Our principal executive offices are located at 4880 Havana St. Suite 201, Denver, CO 80239 and the Company's telephone number is 303-371-0387. Our website address is [www.schwazze.com](http://www.schwazze.com). Information found on our website or any other website referenced in this Report is not incorporated into this Report and does not constitute a part of this Report. Website addresses referenced in this Report are intended to be inactive textual references only and not active hyperlinks to the referenced websites. We make available, free of charge through our website, our SEC filings furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

## **ITEM 1A. RISK FACTORS.**

*There are a number of risk factors affecting the Company, its business and holders of Common Stock or Preferred Stock. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.*

### **Risks Related to our Operations**

#### ***We have a relatively short operating history.***

We have a relatively short operating history, which makes it difficult to evaluate our business and future prospects. We have encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, including those related to:

- market acceptance of our current and future products and services;
- changing regulatory environments and costs associated with compliance;
- our ability to compete with other companies offering similar products and services;
- our ability to effectively market our products and services and attract new clients/customers;
- the amount and timing of operating expenses, particularly sales and marketing expenses, related to the maintenance and expansion of our business, operations and infrastructure;
- our ability to control costs, including operating expenses;
- our ability to manage organic and strategic growth;
- public perception and acceptance of cannabis-related products and services generally; and
- general economic conditions and events.

If we do not manage these risks successfully, our business and financial performance will be adversely affected. Our long-term results of operations are difficult to predict and depend on the commercial success of our products, services and clients, the continued growth of the cannabis industry generally (including public acceptance of cannabis-related products) and the regulatory environment in which the cannabis industry operates. If the legalized cannabis marketplace does not continue to grow because the public does not increasingly accept cannabis-related products, or if government regulators adopt laws, rules or regulations that terminate or diminish the ability for commercial businesses to develop, market and sell cannabis-related products, our business and financial performance would be materially adversely affected. Additionally, even if the cannabis marketplace continues to grow rapidly and government regulation allows for the free-market development of this industry, there can be no assurance that our products and services will be preferable to or competitive with those offered by our competitors. The legalized cannabis industry may not continue to grow and the regulatory environment may not remain favorable to participants in the industry. More generally, our products and services may not experience growing market acceptance, which would adversely impact our ability to grow revenue.

***We have incurred significant losses in prior periods and while 2021 resulted in a profit, there is no assurance we can generate profits; future losses could cause the quoted price of our Common Stock to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due and on our cash flow.***

We have incurred significant losses in prior periods. For the year ended December 31, 2021, we incurred a net gain of approximately \$0.5 million, but had an approximate accumulated deficit of \$52 million. There can be no assurance that we will generate profits in any particular year or at all in the future. Our ability to generate profits will depend on a number of factors and is subject to risks, many of which are beyond our control. Any losses in the future could cause the quoted price of our Common Stock to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due, and on our cash flow.

***We are dependent on enforcement of proprietary rights.***

When entering into confidentially agreements with our employees, consultants, and corporate clients, we take what we believe are commercially reasonable steps to control access to and distribution of our technologies, documentation, and other proprietary information. Despite efforts to protect our proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain, or use our products, solutions, or technologies. We cannot be certain that the steps we take will prevent misappropriation of our proprietary solutions or technologies. Further, this is particularly difficult in foreign countries where the laws or law enforcement may not provide as robust protection of the Company's proprietary rights as compared to United States laws and law enforcement. As of the date of this report, we are shipping nutrients outside of the United States, but we do not currently conduct any operations outside of the United States or any territory thereof. The Company does not have current plans to expand its operations to foreign jurisdictions other than potential licensing and consulting service offerings in Canada.

***There can be no assurance that third parties will not assert claims of infringement against us.***

Others may claim rights to the same technology or trade secrets we currently utilize or may utilize in the future.

From time to time, we may be subject to claims in the ordinary course of our business, including claims of alleged infringement of the trademarks, patents and other intellectual property rights of third parties by us or our clients. Any such claims, or any resultant litigation, should it occur, could subject us to significant liability for damages and could result in the invalidation of our contractual proprietary rights. In addition, even if we were to win any such litigation, such litigation could be time-consuming and expensive to defend and could result in the diversion of time and attention, any of which could have a material adverse effect on our prospects, business, financial condition and results of operations. Any claims or litigation may also result in limitations on our ability to use such trademarks, patents and other intellectual property unless we enter into arrangement with such third parties, which may be unavailable on commercially reasonable terms.

***Competition in our industry is intense.***

The cannabis industry is highly fragmented, and we have many competitors, including many who offer similar products and services as those offered by us. There can be no guarantees that other companies will not enter the market and develop products and services that are in direct competition with us in the future. We anticipate continued competition from current participants, as well as entry of other companies, in the cannabis market, and we may not be able to establish or maintain a competitive advantage. Some of these companies may have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales and marketing resources. This may allow them to respond more quickly than us to market opportunities. It may also allow them to devote greater resources to the marketing, promotion and sale of their products and services. These competitors may also adopt more aggressive pricing policies and make more attractive offers to existing and potential customers, employees, strategic partners, distribution channels and advertisers. Increased competition is likely to result in price reductions, reduced gross margins and potential loss of market share.



***We have limited capitalization and limited funds available for operations, and we will require additional financing to successfully implement our business strategy.***

Expansion of our business will require capital expenditures. Our capital requirements will depend upon numerous factors, including the size and success of our marketing and sales network and the demand for our products and services. If funds generated from our operations are insufficient to allow us to grow in accordance with our strategic plans, we will need to raise additional funds through public or private financing. No assurance can be given that additional financing will be available or that, if available, it will be obtained on terms favorable to us. If we are unable to obtain adequate financing, we may have to reduce or eliminate expenditures and curtail or delay our growth strategy, including the expansion of our sales and marketing capabilities and future acquisitions, which likely would have a material adverse effect on our prospects, business, financial condition and results of operations.

In addition, if we raise additional capital in the future by issuing equity securities or securities exercisable for or convertible into equity securities, existing holders of our Common Stock could suffer significant dilution, and any new securities issued could have rights, preferences and privileges superior to our existing stockholders. Furthermore, if we raise additional capital in the future by incurring debt or issuing debt securities, such debt may impose covenants restricting our ability to incur additional indebtedness, grant liens, make dividends and other payments, issue securities and buy and sell assets, or otherwise restrict financial or operational activities, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

***If we are unable to service or repay our indebtedness when due, the applicable lender may execute on the collateral.***

We have outstanding indebtedness that is secured by a security interest in all of our assets. If we fail to comply with the covenants set forth in the applicable debt instruments or if we fail to make certain payments under the debt instruments when due, the holders of such indebtedness could declare the debt instruments in default. If we default under any such debt instruments, the holders have the right to seize our assets that secure the debt instruments, which would have a material adverse effect on our prospects, business, financial condition and results of operations.

Several of our wholly-owned subsidiaries are borrowers under a Loan Agreement with SHWZ Altmore, LLC, as lender (“SHWZ Altmore”), and GGG Partners LLC, as collateral agent. The loan is secured by a security interest in substantially all current and future assets of the borrowers. We guaranty the payment and performance by the borrowers when due. If the borrowers and we are unable to pay the debt service or repay the term loan when due, the lender may, among other remedies, sell the collateral and use the proceeds to satisfy amounts owed under term loan.

The seller notes associated with the purchase of the Star Buds assets by SBUD LLC are secured by a security interest in substantially all of the current and future assets of SBUD LLC. If SBUD LLC is unable to pay the debt service or repay the seller notes when due, the sellers may, among other remedies, sell the collateral and use the proceeds to satisfy amounts owed under the seller notes.

Our Investor Notes are secured by a first priority security interest in all of the current and future assets of the Company and the Subsidiary Guarantors not otherwise pledged as collateral, which are held by the Indenture Collateral Agent for the benefit of the Note Investors, and payment under the Investor Notes and Indenture are guaranteed by the Subsidiary Guarantors. The Investor Notes provide that on December 7, 2025, the Note Investors will have the right to require the Company to repurchase some or all of the Investor Notes for cash in an amount equal to the principal amount of such Investor Note being repurchased plus accrued and unpaid interest up to the date of repurchase. If the Company or the Subsidiary Guarantors are unable to pay the debt service or repay the Investor Notes when due, the Indenture Collateral Agent may, among other remedies, sell the collateral and use the proceeds to satisfy the amounts owed under the Investor Notes.

***Our officers or directors may have conflicts of interest.***

Some of our executive officers or directors are employed on a full-time basis by or have financial interests in other businesses. Consequently, there are potential inherent conflicts of interest when acting in their capacity as officers or directors of the Company. For example, Brian Ruden, one of our directors, is the owner Star Buds outside the state of Colorado. Where a conflict of interest may arise, our Audit Committee and/or the full Board of Directors, with advice from outside counsel, reviews such conflict of interest. Although we believe that our related party transaction policy is currently adequate in guarding against material conflicts of interests, we cannot give any assurance that we are able to identify all material conflicts of interest or that conflicts of interest will be resolved in a manner beneficial to the Company.

***We plan to expand our business and operations into jurisdictions outside of the current jurisdictions where we conduct business and doing so will expose us to new risks.***

In the future, we plan to expand our operations and business into jurisdictions outside of the jurisdictions where we currently operate. There can be no assurance that any market for our products and services will develop in any such jurisdictions. We may face new or unexpected risks or significantly increase our exposure to one or more existing risk factors if we expand into new jurisdictions, including, without limitation, economic instability, new competition, and additional, new or changes in laws and regulations (including, without limitation, the possibility that we could be in violation of these laws and regulations as a result of such changes). These factors may limit our ability to successfully expand our operations in, export our products to, or provide our services in, those other jurisdictions.

***We may not be able to successfully identify and execute future acquisitions or dispositions or to successfully manage the impacts of such transactions on our operations.***

A key element of our growth strategy involves identifying and acquiring interests in, or the businesses of, suitable entities involved in the cannabis industry. Our ability to identify such potential acquisition opportunities and successfully acquire them is not guaranteed. Further, achieving the benefits of future acquisitions will depend, in part, on successfully identifying and capturing such opportunities in a timely and efficient manner with the appropriate structure to ensure a stable and growing stream of revenues.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) the potential disruption of our ongoing business; (ii) the distraction of management away from the ongoing oversight of our existing business activities; (iii) incurring indebtedness; (iv) the anticipated benefits and cost savings of those transactions not being realized fully, or at all, or taking longer to realize than anticipated; (v) an increase in the scope and complexity of our operations; (vi) the loss or reduction of control over certain of our assets; (vi) the integration of new operations, services and personnel; (vii) unforeseen or hidden liabilities; (viii) the diversion of resources from our existing interests and business; (ix) potential inability to generate sufficient revenue to offset new costs; or (x) the expenses of such transactions.

Further, there is no guarantee that future acquisitions will be accretive. The existence of one or more material liabilities of an acquired company or business that are unknown to us at the time of acquisition could result in our incurring those liabilities. A strategic transaction may result in a significant change in the nature of our business, operations and strategy, and we may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into our operations.

***Resources spent researching acquisitions that are not consummated could materially adversely affect subsequent attempts to locate and acquire other businesses.***

It is anticipated that the investigation of each specific acquisition target business and the negotiation, drafting, and execution of relevant transaction agreements and other ancillary documents, disclosure documents, and other instruments, will require substantial management time and attention, as well as costs related to fees payable to counsel, accountants, and other third parties. If an identified transaction is not consummated, such event may result in a loss to us of the related costs incurred therein, which could impact subsequent attempts to locate and acquire other businesses.

***We rely on key utility services.***

Our business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to our growing operations, as well as electricity, water and other local utilities. Our cannabis growing operations consume and will continue to consume considerable energy, which makes us vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely impact our business and our ability to operate profitably in the future. Additionally, any significant interruption or negative change in the availability or economics of the supply chain for our key inputs could materially impact our business, financial condition and operating results. If we are unable to secure required supplies and services on satisfactory terms, it could have a materially adverse impact on our business, financial condition and operating results.

***Changes in consumer spending may harm our business.***

Consumer spending patterns, particularly discretionary expenditures for cannabis products, are particularly susceptible to factors beyond our control that may reduce demand for our products and our client's products. These factors include:

- low consumer confidence;
- decreased corporate budgets and spending, including cancellations, deferrals or renegotiations of group business (e.g., industry conventions);
- natural disasters, such as earthquakes, tornados, hurricanes and floods;
- outbreaks of pandemic or contagious diseases, such as avian flu, severe acute respiratory syndrome (SARS), H1N1(swine) flu, Zika fever and coronavirus (e.g., COVID-19);
- war, terrorist activities, social unrest, or threats and heightened security measures instituted in response to these events; and
- the financial or operational conditions of the airline, automotive and other transportation-related industries and its impact on travel.

Reduced consumer spending could have a material adverse effect on our prospects, business, financial condition and results of operations.

***Our success is dependent on consumer acceptance of cannabis products generally, and specifically our products.***

Our ability to generate revenue and be successful in the implementation of our business plan is significantly dependent on consumer acceptance of and demand for cannabis products generally, and, specifically, our products. Consumer acceptance will depend on several factors, including federal regulation of cannabis as well as availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability of cannabis products. If consumers do not accept cannabis products generally, or, specifically, our products, or if we fail to meet customers' needs and expectations, our ability to continue generating revenues could be reduced.

***We are subject to risks from products liability claims.***

We face an inherent risk of product liability claims. For example, we could be sued if any product we sell allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts.

If we cannot successfully defend against product liability claims, we may incur substantial liabilities or be required to limit sales of our products. Even a successful defense of these hypothetical future cases would require significant financial and management resources. If we are unable to successfully defend these hypothetical future cases, we could face at least the following potential consequences:

- decreased demand for our products;
- injury to our reputation;
- costs to defend the related litigation;
- diversion of management's time and our resources;
- substantial monetary awards to users of our products;
- product recalls or withdrawals; and
- loss of revenue.

***Our business is dependent on regulatory licensing.***

Our business is dependent on us and our clients obtaining various licenses from various municipalities and state licensing agencies. There can be no assurance that any or all licenses necessary for us or our clients to operate a cannabis businesses will be obtained, retained or renewed. If a licensing body were to determine that we or one of our clients violated applicable rules and regulations, there is a risk the license granted to us or such client could be revoked, which could adversely affect our operations and profitability. Further, in Colorado, licenses for cannabis operations are tied to a specific location, and we operate substantially all our operations through leases. If we are unable to renew any of our leases in Colorado, we could potentially lose the license for such location. License are not specific to locations in New Mexico and, therefore, we are not subject to a similar risk related to our leases in New Mexico. There can be no assurance that we or our existing clients will be able to retain their licenses going forward, or that new licenses will be granted us, our clients, or to existing and new market entrants.

***We may be subject to risks related to our information technology systems, including the risk that we may be the subject of a cyber-attack and the risk that we may be in non-compliance with applicable privacy laws.***

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology (“IT”), services in connection with our operations. Our operations depend, in part, on how well we and our vendors protect our networks, equipment, IT systems and software against damage from several threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism, theft, malware, ransomware and phishing attacks. Any of these and other events could result in IT system failures, delays or increases in capital expenses. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risk of failures. The failure of IT systems or a component of IT systems could, depending on the nature of any such failure, adversely impact our reputation and have a material adverse effect on our prospects, business, financial condition and results of operations.

We collect and store personal information about our consumers and are responsible for protecting that information from privacy breaches. Some of our consumers purchase our product for medical use. There are several laws protecting the confidentiality of certain patient health information and other personal information, including patient records, and restricting the use and disclosure of that protected information. In particular, in the U.S., the Privacy Act of 1974 (the “Privacy Act”), the Gramm-Leach-Bliley Act (the “GLBA”), the Health Insurance Portability and Accountability Act (“HIPAA”), and the Children’s Online Privacy Protection Act (“COPPA” and together with the Privacy Act, the GLBA, HIPAA, and COPPA the “U.S. Privacy Regulations”), the European Union’s General Data Protection Regulation (“GDPR”), the privacy rules under Canada’s Personal Information Protection and Electronics Documents Act (the “PIPEDA”), and similar laws in other jurisdictions, protect medical records and other personal health information by limiting their use and disclosure to the minimum level reasonably necessary to accomplish the intended purpose. A privacy breach may occur through an internal procedural or process failure, an IT malfunction or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated through employee collusion, negligence, or deliberate cyber-attack. Moreover, if we are found to be in violation of the U.S. Privacy Regulations, the GDPR, the PIPEDA, or other laws, including as a result of data theft and privacy breaches, we could be subject to sanctions and civil or criminal penalties, which could increase our liabilities and harm our reputation.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. While we have implemented security resources to protect our data security and information technology systems, such measures may not prevent such events. Significant disruption to our information technology system or breaches of data security could have a material adverse effect on our prospects, business, financial condition and results of operations.

***Our insurance coverage may be inadequate to cover all significant risk exposures.***

We are exposed to liabilities that are unique to the products and services we provide. While we intend to maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs resulting from risks and uncertainties of our business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. Due to the nature of our business, we may have difficulty obtaining insurance because, compared to non-cannabis industries, (i) there are only a limited number of insurers willing to insure companies involved in the cannabis industry, (ii) there are fewer insurance products available to companies involved in the cannabis industry, (iii) insurance coverage generally is more expensive for companies involved in the cannabis industry, and (iv) available insurers, insurance products, and cost of coverage fluctuates frequently. Failure to obtain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our prospects, business, financial condition and results of operations. We do not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources.

***The COVID-19 pandemic could adversely affect our business, financial condition and results of operations.***

The global outbreak of the novel strain of the coronavirus known as COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments or their impact on our financial results and condition. Thus far, the COVID-19 pandemic has not had a material adverse effect on our business, financial condition and results of operations.

Nonetheless, our business could be materially and adversely affected by the risks, or the public perception of the risks, related to the continuing COVID-19 pandemic. The risk of a pandemic, or public perception of such a risk, could cause customers to avoid public places, including our retail properties, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our products. These risks could also adversely affect our customers' financial condition, resulting in reduced spending for the products we sell. Moreover, any epidemic, pandemic, outbreak or other public health crisis, including COVID-19, could cause our employees to avoid public spaces, which could adversely affect our ability to adequately staff and manage our businesses. "Shelter-in-place" or other such orders by governmental entities could also disrupt our operations if employees who cannot work remotely are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of our stores or other facilities. Although our dispensaries have been considered essential services and therefore have been allowed to remain operational, there can be no guarantee that our adult-use operations will be allowed to remain open at any point during the remainder of the COVID-19 pandemic or that our retail dispensary operations will continue to be deemed essential.

The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent its further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect our business, financial condition, growth strategies and results of operations.

***Failure to execute our strategies could result in impairment of goodwill or other intangible assets, which may negatively impact profitability.***

As of December 31, 2021, we have goodwill of approximately \$43,316,267 and other intangible assets of approximately \$97,582,330, which represents approximately 49% of our total assets as of that date. We evaluate goodwill for impairment on an annual basis or more frequently if impairment indicators are present based upon the fair value of each reporting unit. We assess the impairment of other intangible assets on an annual basis, or more frequently if impairment indicators are present, based upon the expected future cash flows of the respective assets. These valuations include management's estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures, and other assumptions. Significant negative industry or economic trends, disruptions to our business, inability to achieve sales projections or cost savings, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets or in entity structure, and divestitures may adversely impact the assumptions used in the valuations. If the estimated fair value of our reporting units changes in future periods, we may be required to record an impairment charge related to goodwill or other intangible assets, which would reduce earnings in such period.

**Risks Related to Our Industry**

***Cannabis remains illegal under federal law.***

Despite the successful development of a cannabis industry legal under state laws in a number of states, state laws legalizing medicinal and recreational adult cannabis use are in conflict with the federal Controlled Substances Act, which classifies cannabis as a Schedule I controlled substance and makes cannabis use and possession illegal on a national level. The U.S. Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes, and thus federal law criminalizing the use of cannabis preempts state laws legalizing its use.

A prior U.S. administration attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum, which Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013 that outlined certain priorities for the Department of Justice (“DOJ”) relating to the prosecution of cannabis offenses. The Cole Memorandum provided that enforcing federal cannabis laws and regulations in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis conduct in compliance with those laws and regulations was not a priority for the DOJ. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. On January 4, 2018, U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime,” and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. The Biden administration has not expressed a cannabis policy as of the date of this Report. The uncertainty of federal enforcement practices going forward and the inconsistency between federal and state laws and regulations presents major risks for our business and operations. Any such change in the federal government’s enforcement of federal laws could cause significant financial damage to us and our stockholders.

Under federal law, and more specifically the federal Controlled Substances Act, the possession, use, cultivation and transfer of cannabis is illegal. It is also federally illegal to advertise the sale of cannabis, or to sell paraphernalia designed or intended primarily for use with cannabis, unless the paraphernalia is authorized by federal, state, or local law. Our business involves the cultivation, production and sale of cannabis and cannabis products, and, therefore, violates federal law. Further, we provide services to customers that are engaged in the business of possession, use, cultivation and/or transfer of cannabis. As a result, law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting another’s criminal activities. The federal aiding and abetting statute provides that anyone who “commits an offense against the United States or aides, abets, counsels, commands, induces or procures its commission, is punishable as a principal. 18 U.S.C. §2(a).

If the Federal Government were to change its enforcement practices, or were to expend its resources enforcing existing federal laws on those involved in the cannabis industry, such action could have a materially adverse effect on our business and operations, our customers or the sales of our products up to and including a complete cessation of our business, and our investors could lose their entire investment

It is possible that additional federal or state legislation could be enacted in the future that would prohibit us or our clients from selling cannabis, and if such legislation were enacted, the demand for our products and services, and those of our clients, would likely decrease, causing revenues to decline. Further, additional government disruption in the cannabis industry could cause potential customers and users to be reluctant to use our products and services, which would be detrimental to us. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

***Our business is dependent on state laws pertaining to the cannabis industry.***

The federal Controlled Substances Act classifies cannabis as a Schedule I controlled substance and makes cannabis use and possession illegal on a national level. The U.S. Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes, and thus federal law criminalizing the use of cannabis preempts state laws legalizing its use. While there appears to be ample public support for legislative action to legalize cannabis use and possession, numerous factors may impact or negatively affect the legislative process(s) within the various states we have business interests in. Any one of these factors could slow or halt use of cannabis, which would negatively impact our business up to possibly causing us to discontinue operations as a whole.

The voters or legislatures of states in which cannabis has already been legalized could potentially repeal applicable laws that permit the operation of both medical and retail cannabis businesses. These actions might force businesses, including our own and those of our clients, to cease operations in one or more states entirely.

***We are required to comply concurrently with federal, state and local laws in each jurisdiction where we operate or to which we export our products.***

Various federal, state and local laws, regulations and guidelines govern our business in the jurisdictions in which we operate or propose to operate, or to which we export or propose to export our products, including laws and regulations relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of our products and of certain material used in our operations. Compliance with each set of these laws, regulations and guidelines requires concurrent compliance with other complex federal, state and local laws, regulations and guidelines. These laws, regulations and guidelines change frequently and may be difficult to interpret and apply. Compliance with these laws, regulations and guidelines requires the investment of significant financial and managerial resources, and a determination that we are not in compliance with these laws, regulations and guidelines could harm our reputation and brand image and have a material adverse effect on our prospects, business, financial condition and results of operations. Moreover, it is impossible for us to predict the cost or effect of such laws, regulations or guidelines upon our future operations. Changes to these laws, regulations and guidelines could negatively affect our competitive position within our industry and the markets in which we operate, and there is no assurance that various levels of government in the jurisdictions in which we operate will not pass legislation or regulation or issue guidelines that adversely impacts our business.

***Our business is subject to a variety of U.S. laws, many of which are unsettled and still developing, and which could subject us to claims or otherwise harm our business.***

We are subject to a variety of state and federal laws in the United States. In the United States, despite cannabis having been legalized for medical use in many states, and for adult recreational use in a number of states, cannabis meeting the definition of “marijuana” continues to be categorized as a Schedule I controlled substance under the federal Controlled Substances Act. Following the passage of HB19-1090 in Colorado, we have elected to move into plant-touching operations in addition to non-plant-touching operations by acquiring several plant-touching businesses in Colorado and New Mexico. As a public company involved in direct plant-touching activities, we may face additional scrutiny from the U.S. federal government or other regulatory agencies. Such scrutiny, and any investigation of our operations related to plant-touching activities, could have a material adverse impact on our prospects, business, financial condition and results of operations.

***We are subject to risks related to unsafe concentration of heavy metals and other contaminants in our cannabis and nutrient products, and associated inconsistent treatment under state law.***

Cannabis plants may absorb heavy metals and other contaminants from the soil that they grow in. Nutrient products are made from ingredients that may contain heavy metals and other contaminants. Heavy metals and contaminants are naturally found in the earth’s crust but may also be present as a result of, for example, pesticide use. Some contaminants, like heavy metals, are toxic to humans at even low concentrations. If our raw materials contain contaminants, they may transfer to our products. If the level of contaminants in our products exceeds permissible or safe levels, it may result in loss of inventory and possible harm to consumers of the products, which may expose us, among other things, to monetary losses, product liability claims and reputational risk.

In addition, state regulation of testing for, and permissible levels of, contaminants in cannabis products varies, making compliance difficult and costly.

***We are subject to risks inherent in an agricultural business, including the risk of crop failure.***

We work in the cannabis industry, which is an agricultural process. As such, our business is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, insects, plant diseases and similar agricultural risks that might affect us or our clients.

***If we are unable to source raw materials in sufficient quantities, on a timely basis, and at acceptable costs, our ability to manufacture and sell our products may be harmed.***

We rely on a limited number of suppliers of our raw materials used in manufacturing our products and they are all located in Colorado. We experience recurring cycles of oversupply and undersupply, to some extent due to seasonality, and, as a result, the price and availability of raw materials fluctuate. If we are unable to maintain a reliable supply of raw materials at competitive prices, we could experience disruptions in production or an increased cost of production. Market conditions may limit our ability to raise selling prices to offset increases in our raw material costs. Any of the foregoing could have a material adverse impact on our prospects, business, financial condition and results of operations.

***There is uncertainty related to the regulation of vaporization products and certain other consumption accessories. Increased regulatory compliance burdens could have a material adverse impact on our business development efforts and our operations.***

There is uncertainty regarding whether and in what circumstances federal, state, or local regulatory authorities will seek to develop and enforce regulations relative to vaporizer hardware and accessories that can be used to vaporize cannabis and/or tobacco. Further, it remains to be seen whether current or future regulations relating to tobacco vaporization products would also apply to cannabis vaporization products and related consumption accessories.

There has been increasing activity on the federal, state, and local levels with respect to scrutiny of vaporizer products. Federal, state, and local governmental bodies across the United States have indicated that vaporization products and certain other consumption accessories may become subject to new laws and regulations at the state and local levels. For example, in September 2019, the Trump Administration announced a plan to ban the sale of most flavored e-cigarettes nationwide. At the state level, over 25 states have implemented statewide regulations that prohibit vaping in public places. In January 2015, the California Department of Health declared electronic cigarettes and certain other vaporizer products a health threat that should be strictly regulated like tobacco products, and in September 2019, California's governor issued an executive order on vaping, focused on enforcement and disclosure. Many states, provinces, and some cities have passed laws restricting the sale of electronic cigarettes and certain other tobacco vaporizer products. Some cities have also implemented more restrictive measures than their state counterparts, such as San Francisco, which in June 2018, approved a new ban on the sale of flavored tobacco products, including vaping liquids and menthol cigarettes.

The application of any new laws or regulations that may be adopted in the future, at a federal, state, or local level, directly or indirectly implicating cannabis vaporization products or consumption accessories could limit our ability to sell such products, result in additional compliance expenses, and require us to change our labeling and methods of distribution, any of which could have a material adverse effect on our prospects, business, financial condition and results of operations.

***The scientific community has not yet extensively studied the long-term health effects of the use of vaporizer products.***

Cannabis vaporizers and related products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long-term health effects of their use. If the scientific community were to determine conclusively that use of any or all of these products poses long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for our product, product liability claims, and increased regulation stemming from unfavorable scientific studies on these products could have a material adverse effect on our prospects, business, financial condition and results of operations.

***The cannabis industry and market are relatively new in the United States, and this industry and market may not continue to exist or develop as anticipated or we may ultimately be unable to succeed in this industry and market.***

We are operating our current business in the relatively new cannabis industry and market, and our success depends on our ability to operate our business successfully and attract and retain clients. In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, we need to continue to build brand awareness of our brand in the cannabis industry and make significant investments in our business strategy and production capacity. These investments include introducing new products and services into the markets in which we operate, adopting quality assurance protocols and procedures and undertaking regulatory compliance efforts. These activities may not promote our business as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share. Competitive conditions, consumer preferences and spending patterns in this industry and market are relatively unknown and may have unique characteristics that differ from other existing industries and markets and that may cause our efforts to further our business to be unsuccessful or to have undesired consequences. As a result, we may not be successful in our efforts to operate our business or attract and retain clients or to develop new products and services and produce and distribute these products and services to the markets in which we operate or to which we export in time to be effectively commercialized, or these activities may require significantly more resources than we currently anticipate in order to be successful.



***We, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception.***

We believe that the cannabis industry is highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis distributed to consumers. The perception of the cannabis industry and cannabis products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in the United States and in other countries relating to the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to cannabis products or the activities of industry participants. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular cannabis product or will be consistent with earlier publicity. Adverse future scientific research reports, findings and regulatory proceedings that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our cannabis products or those of our clients, which would affect our business. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis or our products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could adversely affect us. This adverse publicity could arise even if the adverse effects associated with cannabis products resulted from consumers' failure to use such products legally, appropriately or as directed.

***Certain events or developments in the cannabis industry more generally may impact our reputation.***

Damage to our reputation can result from the actual or perceived occurrence of any number of events, including any negative publicity, whether true or not. As we and our clients are producers and distributors of cannabis, which is a controlled substance in the United States that has previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that our business might attract negative publicity. There is also a risk that the actions of other companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased usage of social media and other web-based tools used to generate, publish and discuss user generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views in regards to our activities and the cannabis industry in general, whether true or not. We do not ultimately have direct control over how we or the cannabis industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our business strategy and realize on our growth prospects.

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

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

***The cannabis industry could face strong opposition from other industries.***

We believe that established businesses in other industries may have a strong economic interest in opposing the development of the cannabis industry. Cannabis may be seen by companies in other industries as an attractive alternative to their products, including recreational cannabis as an alternative to alcohol and medical cannabis as an alternative to various commercial pharmaceuticals. Many industries that could view the emerging cannabis industry as an economic threat are well established, with vast economic and federal and state lobbying resources. It is possible that companies within these industries could use their resources to attempt to slow or reverse legislation legalizing cannabis. Any inroads these companies make in halting or impeding legislative initiatives that would not be beneficial to the cannabis industry could have a detrimental impact on our business or our clients' business and, in turn, on our operations.

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

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

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

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

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

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

***State regulatory agencies may require us to post bonds or significant fees.***

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the cannabis industry to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise taxes. We are not able to quantify at this time the potential scope of such bonds or fees in the states in which it currently operates or may in the future operate. Any bonds or fees of material amounts could have a negative impact on our prospects, business, financial condition and results of operations.

**Risks Related to our Common Stock and Preferred Stock**

***We may seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing securities that would dilute your ownership.***

We may raise additional capital in the future. Such capital raising transactions may take the form of equity issuances, debt raising, issuance of derivative securities, or a combination thereof. If we issue any shares of Common Stock or securities convertible into or exercisable for shares of Common Stock in connection with any capital raising transaction, our existing stockholders will experience immediate dilution upon such issuance or upon the future conversion or exercise of such securities. Further, derivative securities, such as convertible debt, convertible preferred stock, options and warrants, currently outstanding or issued in the future may contain anti-dilution protection provisions, which, if triggered, could require us to issue a larger number of the security underlying such derivative security than the face amount. We cannot predict the effect, if any, that future sales or issuance of shares of our Common Stock into the market, or the availability of shares of our Common Stock for future sale, will have on the market price of our Common Stock. Sales of substantial amounts of our Common Stock (including shares issued upon exercise of options and warrants or conversion of convertible securities), or the perception that such sales could occur, may materially affect prevailing market prices for our Common Stock.

Depending on the terms available to us, if these activities result in significant dilution, it may negatively impact the trading price of our shares of Common Stock. Any additional financing that we secure may require the granting of rights, preferences or privileges senior to, or pari passu with, those of our Common Stock or our other outstanding securities. Any issuances by us of securities may be at or below the prevailing market price of our Common Stock and in any event may have a dilutive impact on your ownership interest, which could cause the market price of our Common Stock to decline. We may also raise additional funds through the incurrence of debt or the issuance or sale of other derivative securities or instruments senior to our shares of Common Stock. We cannot be certain how the repayment of any debt obligations will be funded, and we may issue further equity or debt in order to raise funds to repay such obligations, including funding that may be highly dilutive. The holders of any securities or instruments we may issue may have rights superior to the rights of holders of our Common Stock. If we experience dilution from the issuance of additional securities and we grant superior rights to new securities over holders of our Common Stock, it may negatively impact the trading price of our shares of Common Stock, and you may lose all or part of your investment.

***There is no assurance that there will continue to be an active trading market for our Common Stock.***

Our Common Stock is quoted on the OTCQX operated by the OTC Markets Group. There is no assurance that a market for our Common Stock will continue. In the absence of a public trading market, or sufficient trading volume in the public market, an investor may be unable to liquidate its investment in our Company.

Any adverse effect on the market price of our Common Stock could make it difficult for us to raise additional capital through sales of equity securities at a time and at a price that we deem appropriate.

Sales of substantial amounts of our Common Stock, or in anticipation that such sales could occur, may materially and adversely affect prevailing market prices for our Common Stock, if and when such market develops in the future.

***The market price of our Common Stock may fluctuate significantly in the future.***

We expect that the market price of our Common Stock may fluctuate in response to one or more of the following factors, many of which are beyond our control:

- competitive pricing pressures;
- our ability to market our products and services on a cost-effective and timely basis;
- our inability to obtain working capital financing, if needed;
- changing conditions in the market;
- changes in market valuations of similar companies;
- stock market price and volume fluctuations generally;
- regulatory developments;
- fluctuations in our quarterly or annual operating results;
- additions or departures of key personnel;
- future sales of our Common Stock or other securities; and
- future issuances of shares of Common Stock upon exercise or conversion of derivative securities, such as our outstanding Preferred Stock, Investor Notes, warrants and options.

The price at which you purchase shares of our Common Stock may not be indicative of the price that will prevail in the trading market. You may be unable to sell your shares of Common Stock at or above your purchase price, which may result in substantial losses to you and which could include the complete loss of your investment. In the past, securities class action litigation has often been brought against a company following periods of stock price volatility. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and our resources away from our business. Any of the risks described above could adversely affect our sales and profitability and also the price of our Common Stock.

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

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

***FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our Common Stock, which could depress the price of our Common Stock.***

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

***Because we hold a license to operate a cannabis business in Colorado and New Mexico, our stockholders may be required to make filings with the Colorado Marijuana Enforcement Division or the New Mexico Cannabis Control Division and we may be forced to redeem shares of our capital stock held by stockholders who are deemed "unsuitable" to be owners of our Company.***

We hold various licenses from the Colorado Marijuana Enforcement Division and the New Mexico Cannabis Control Division to operate a cannabis business in Colorado and New Mexico. As a result, beneficial owners with a 10% or greater interest are required to make filings with, and to be found suitable to be equity owners of a cannabis business in Colorado, by the Colorado Marijuana Enforcement Division. Our Bylaws provide that for as long as we hold (directly or indirectly) a license for a governmental agency to conduct our business, which license is conditioned upon some or all of our stockholders possessing certain qualifications, we may redeem any and all of our shares of capital stock to the extent necessary to prevent loss of such license or to reinstate such license. If we at any time determine, in our sole discretion, that one of our stockholders or an affiliate of a stockholder is unsuitable to be a direct or indirect equity owner of a cannabis business in Colorado or any other jurisdiction we may operate in where we are subject to other similar licensing or suitability requirements, we have the right, but not the obligation, to redeem such stockholder's shares of capital stock at a redemption price described in Exhibit 4.1 to this Report. After redemption, a stockholder would only be allowed to own up to 9.99% of the Company. Company funds used to redeem an unsuitable stockholder will reduce funds available for operations and distributions. This redemption right may negatively impact potential investors' willingness to invest in our Common Stock, which could negatively impact the trading price of our Common Stock. In addition, the provisions of the Articles of Incorporation related to the Preferred Stock and the Indenture provide for a similar redemption right in favor of the Company that is specific to the Preferred Stock and the Investor Notes if a holder of such securities or one of its affiliates is determined by an applicable state governmental authority to be unsuitable or disqualified from owning a direct or indirect interest in the Company.

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

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

***Our Preferred Stock, our right to issue additional preferred stock, our classified Board of Directors and provisions of our Articles of Incorporation and Bylaws may delay or prevent a take-over that may not be in the best interests of our stockholders.***

Our Preferred Stock and provisions of our Articles of Incorporation and Amended and Restated Bylaws (the "Bylaws") may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt.

The existence and terms of our Preferred Stock and our Investor Notes, such as the ability of a majority of the holders of the Preferred Stock to require payment of a liquidation preference upon a change of control, the right of Note Holders to require the Company to repurchase for cash the Investor Notes in connection with a Change of Control (as defined in the Indenture), or the ability to convert shares of Preferred Stock and Investor Notes into Common Stock and the resulting changes in ownership interests of the Company, may prevent or impede a change of control transaction for the Company that could otherwise be in the best interests of the Company or its stockholders. Further, holders of Preferred Stock will be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held are convertible as of the record date for determining stockholders entitled to vote on any matter presented to the Company's stockholders for their action or consideration at any meeting (or by written consent in lieu of meeting), voting together with the holder of Common Stock as a single class. As of March 25, 2022 executive officers and directors control approximately 42%, holders of our Preferred Stock control approximately 22% and together they control approximately 63% of the voting power of our capital stock, based on the number of shares of Common Stock and Preferred Stock outstanding as of such date [or convertible into Common Stock within 60 days of such date]. Therefore, holders of Preferred Stock have the ability to significantly influence the outcome on all matters requiring approval of our stockholders, including the election of directors and approval of a change of control transaction for the Company.

Further, our authorized capital consists of 250,000,000 shares of Common Stock and 10,000,000 shares of preferred stock, par value \$0.001 per share. Our Board of Directors, without further vote by the stockholders, has the authority to issue shares of preferred stock and to determine the rights and preferences, price and restrictions, including but not limited to voting and dividend rights, of any such shares of preferred stock. The rights of the holders of Common Stock or Preferred Stock may be affected by the rights of holders of preferred stock that our Board of Directors may issue in the future.

In addition, we have a “classified” Board of Directors, which means that one-half of our directors are eligible for election each year. Therefore, if stockholders desire to change the composition of the Board of Directors, it may take at least two years to remove a majority of the existing directors or to change all directors. Having a classified Board of Directors may also, among other things, delay mergers, tender offers or other possible transactions that may be favored by some or a majority of stockholders, and may delay or frustrate stockholder action to change the then-current Board of Directors and management.

***Our management and principal stockholders could significantly influence or control matters requiring a stockholder vote, and other stockholders may not have the ability to influence corporate transactions.***

Currently, management and our principal stockholders beneficially own a significant amount of our outstanding Common Stock and Preferred Stock. As a result, management and such principal stockholders have the ability to significantly influence the outcome of all matters requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions. As of March 25, 2022 executive officers and directors control approximately 42% of the voting power of our capital stock, based on the number of shares of Common Stock and Preferred Stock outstanding as of such date [or convertible into Common Stock within 60 days of such date]. Therefore, management and our principal stockholders have the ability to significantly influence the outcome of all matters requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions, such as a change of control transaction for the Company.

***We are classified as a “smaller reporting company” and an “emerging growth company,” and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our Common Stock and other securities less attractive to investors.***

As a reporting company under the Exchange Act, we are classified as a “smaller reporting company” as defined in Item 10 of Regulation S-K and an “emerging growth company” as defined in Section 2 of the Securities Act. As such, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our Common Stock and other securities less attractive because we may rely on these exemptions. If some investors find our Common Stock or other securities less attractive as a result, there may be a less active trading market for our Common Stock and our stock price may be more volatile. Decreased disclosures in our SEC filings due to our status as a “smaller reporting company” and/or an “emerging growth company” may make it harder for investors to analyze our results of operations and financial prospects.

***We have not paid dividends in the past and do not expect to pay dividends for the foreseeable future. Any return on investment may be limited to potential future appreciation in the value of our Common Stock.***

Our ability to pay dividends is restricted by the terms and provisions of our financing agreements, including but not limited to our Loan Agreement with SHWZ Altmore, the Indenture, and the provisions of our Articles of Incorporation related to our Preferred Stock. We currently intend to retain any future earnings to support the development and expansion of our business and do not anticipate paying cash dividends on our shares of Common Stock in the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including without limitation, our financial condition, operating results, cash needs, growth plans and the terms of any contractual provisions related to the payment of dividends that we may be a party to at the time. To the extent we do not pay dividends, our shares of Common Stock may be less valuable because a return on investment will only occur if and to the extent our stock price appreciates, for which there can be no guarantee. In addition, investors must rely on sales of their Common Stock after price appreciation as the only way to realize a return on their investment; if the price of our Common Stock does not appreciate, then there will be no return on investment. Investors seeking cash dividends should not purchase our Common Stock.

***Our Preferred Stock ranks senior to our Common Stock but junior to all of our existing and future liabilities in the event of a liquidation, winding up or dissolution of our business.***

In the event of our liquidation, winding up or dissolution, our assets would be available to make payments to holders of our Preferred Stock only after all of our liabilities have been paid, and to holders of our Common Stock only after all of our liabilities have been paid and holder of our Preferred Stock have been paid. Our Preferred Stock ranks structurally senior to our Common Stock, but junior to all of our existing and future liabilities and those of our subsidiaries, such as our term loan with SHWZ Altmore and the Investor Notes, as well as the capital stock of our subsidiaries held by third parties and employees, whether now existing or created in the future, that issues shares or other equity interests to third parties or employees. In the event of bankruptcy, liquidation or winding up of the Company, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay any amounts to the holders of the Preferred Stock then outstanding, or, thereafter, to pay any amounts to the holders of the Common Stock then outstanding. Any liquidation, winding up or dissolution of the Company or of any of our wholly or partially-owned subsidiaries could have a material adverse effect on holders of the Preferred Stock or holders of the Common Stock.

## **General Risk Factors**

***Some of our current officers have other interests outside of our business.***

While we have employment agreements for full-time employment with our executive officers, the employment agreements do not forbid our executive officers from allocating their personal time to other ventures and commitments. If the other business affairs of our executive officers require them to devote substantial amounts of time to such affairs, it could limit their ability to devote time to our affairs and could have a material adverse effect on our prospects, business, financial condition and results of operations.

***We are dependent upon our management to continue our growth.***

There are no assurances we will be able to continue or sustain our growth. However, if we are able to continue and sustain our growth in a sustainable fashion, we will need to significantly expand our administrative facilities, which we believe is and will remain necessary to address potential market opportunities. Rapid growth will place a significant strain on our management and operational and financial resources. Our success is principally dependent on our current management personnel for the operation of our business.

We may not be able to hire or retain qualified staff. If qualified and skilled staff are not attracted and retained, growth of our business may be limited. The ability to provide high quality service will depend on attracting and retaining qualified staff, as well as professionals with experience relevant to our market, including marketing, technology, and general experience in the cannabis industry. There will be competition for personnel with these skill sets. Some technical job categories may experience severe shortages in the United States due to general economic conditions, the COVID-19 pandemic, lack of experience, and other similar constraints on the U.S. labor market.

Our ability to deliver quality services depends on our ability to manage and expand our marketing, operational and distribution systems, recruit additional qualified employees, and train, manage, and motivate both current and new employees. Failure to effectively manage our employees and labor resources would have a material adverse effect on our business.

***The general market conditions in the United States may have a significant impact on our business.***

The success of our business is affected by general economic and market conditions. We will remain susceptible to future economic recessions or downturns, and any significant adverse shift in general economic conditions, whether local, regional or national, could have a material adverse effect on our prospects, business, financial condition and results of operations. During such periods of adverse economic conditions, we may experience reduced demand for our products and services, which will result in, among other things, decreased revenues and financial losses. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets or face increased funding costs, which could make it more difficult or impossible for us to obtain additional financing if needed.

***We cannot ensure that we will always be able to maintain adequate internal controls.***

Effective internal controls are necessary for us to provide reliable financial reports and to help prevent fraud. Although we will undertake several procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of our financial reports, including those imposed under U.S. securities law, we cannot be certain that such measures will ensure that we will always be able to maintain adequate internal controls over financial processes and disclosure. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our consolidated financial statements and materially adversely affect the value or trading price of our securities, which could in turn impact our prospects, business, financial condition and results of operations.

***The estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could prove inaccurate.***

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We cannot assure, however, that our estimates, or the assumptions underlying them, will not change over time or otherwise prove inaccurate. Any potential litigation related to the estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could have a material adverse effect on our financial results, harm our business, and cause our share price to decline.

***We may incur losses as a result of unforeseen or catastrophic events.***

The occurrence of unforeseen or catastrophic events such as terrorist attacks, social unrest, extreme terrestrial or solar weather events or other natural disasters, emergence or continuation of a pandemic (such as COVID-19), or other widespread health emergencies (or concerns over the possibility of such an emergency), could create economic and financial disruptions, which could lead to operational difficulties that could impair our ability to manage our business. We operate in a new and novel industry for which there is no precedent or historical data to indicate how the industry, or the Company, would be impacted by such an event.

***Tax and accounting requirements may change in ways that are unforeseen to us and we may face difficulty or be unable to implement or comply with any such changes.***

We are subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices could have a significant adverse effect on our financial results, the manner in which we conduct our business or the marketability of any of our products. Our operations, and any expansion thereto, will require us to comply with the tax laws and regulations of multiple jurisdictions, which may vary substantially. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we were to fail to comply.

***Due to our limited financial resources, litigation could negatively impact our financial condition even if we have not caused damages to any potential claimant.***

Litigation is used as a competitive tactic by both established companies seeking to protect their existing position in a given market and emerging companies attempting to gain access to a market. In such litigation, complaints may be filed on a variety of grounds, including but not limited to antitrust violations, breach of contract, trade secret, patent or copyright infringement, patent or copyright invalidity and unfair business practices. If we are forced to defend ourselves against such claims, whether or not meritorious, we are likely to incur substantial expense and diversion of management attention, which could result in market confusion and the reluctance of licensees and distributors to commit resources to our operations.

***The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and other applicable securities rules and regulations. Compliance with these rules and regulations is costly, makes some activities more difficult, time-consuming or costly, and requires us to maintain and have available specialized systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current periodic reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. We may need to hire more employees in the future or engage outside consultants to comply with these requirements, which will increase our operating costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Being a public company, rules and regulations may make it more expensive for us to obtain director and officer liability insurance. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers. Also, our business and financial condition are visible to the public, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected. Even if potential future claims do not result in litigation or are resolved in our favor, the time and resources necessary to resolve such claims could divert the attention and resources of management and adversely affect our business and operating results.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.



**ITEM 2. PROPERTIES.**

<b>Business</b>	<b>Location</b>	<b>Segment</b>	<b>Square Footage</b>	<b>Monthly Rent</b>	<b>Expiration Date</b>
Medicine Man Technologies  Schwazze	4880 Havana Street, Denver, Colorado	Consulting and Licensing Services  Corporate Infrastructure and Other	12,097	January 1, 2020 to February 29, 2020 = \$14,500 March 1, 2020 = \$17,137	Three month rolling periods effective March 1, 2020
The Big Tomato	695 Billings Street, Aurora, Colorado	Wholesale	12,800	January 1, 2020 to June 30, 2020 = \$9,560 July 1, 2020 = \$6,872	June 30, 2023
Purplebee's	30899 Hwy 50 East, Pueblo, Colorado	Wholesale	Buildings A, B, C, and D 0.5 acres of land	\$18,000	April 19, 2025
Mesa Organics Pueblo East	30899 Hwy 50 East, Pueblo, Colorado	Retail	2,200	\$2,250	April 19, 2025
Mesa Organics Ordway	611 E. 6 <sup>th</sup> Street, Ordway, Colorado	Retail	1,584	\$3,500	April 19, 2025
Mesa Organics Rocky Ford	1315 Elm Avenue, Rocky Ford, Colorado	Retail	1,512	\$3,500	April 19, 2025
Mesa Organics Las Animas	420 Bent Avenue, Las Animas, Colorado	Retail	Land and building	\$3,500	April 19, 2025
Star Buds Pueblo	4305 Thatcher Ave Pueblo, Colorado	Retail	Building	\$3,500	January 31, 2025
Star Buds Alameda	428 McCulloch St, Pueblo, Colorado	Retail	2,232	\$5,000	November 30, 2023
Star Buds Commerce City	5844 Dahlia Street Commerce City, Colorado	Retail	1,200	\$5,000	November 30, 2023
Star Buds Lucky Ticket	1451 Cortez Street, Unit A, Denver, Colorado	Retail	2,700	\$6,246	May 31, 2025
Star Buds Niwot	6924 N 79 <sup>th</sup> St Niwot, Colorado	Retail	4,282	\$6,779	November 30, 2023
Star Buds LM MJC	7521 Ute Highway, Longmont, Colorado	Retail	3,506	\$7,000	November 30, 2022
Star Buds Arapahoe	14655 E. Arapahoe Road, Aurora, Colorado	Retail	5,300	\$12,367	March 2, 2024
Star Buds Aurora	10100 Montview Blvd, Aurora, Colorado	Retail	1,296	\$6,250	March 2, 2024
Star Buds Citi- Med	4228 York Street, Unit 100, Denver Colorado	Retail	14,381	\$5,750	March 2, 2024
Star Buds Citi- Med	1640 East Evans Avenue, Denver Colorado	Retail	560	\$3,167	March 2, 2024
Star Buds Louisville	1156 W Dillon Rd Louisville, Colorado	Retail	987	\$3,300	December 31, 2022
Star Buds KEW	9000 Unit B Federal Blvd Denver, Colorado	Retail	1,080	\$7,500	June 12, 2027
Star Buds Colorado Health Consultants	4690 Brighton Blvd LLC Brighton, Colorado	Retail	4,574	\$7,250	March 2, 2024

Star Buds Mountain View 44th	5238 W 44th Ave., Denver Colorado	Retail	1,860	\$5,000	March 2, 2024
SCG Holdco LLC	853 Greenhorn Mountain Circle Walsenburg, CO 81069	Wholesale	Land and Building	N/A	N/A
Distribution Center	2498 West 2 <sup>nd</sup> Ave. Denver, CO 80223	Retail	Land and Building	\$28,333	November 30, 2031
Brow	4715 N Colorado Blvd, Denver, CO 80216	Wholesale	37,044	\$40,937	April 30, 2023
Smoking Gun	492 S Colorado Blvd, Glendale, CO 80246	Retail	20,734	\$25,000	September 30, 2024
Emerald Fields Glendale	4182 E Virginia Ave, Glendale, CO 80246	Retail	5,866	\$22,007	August 31, 2027
Emerald Fields Manitou	27 Manitou Ave, Manitou Springs, CO 80829	Retail	5,000	\$1,000	February 9, 2025
Drift Central	1750 30 <sup>th</sup> St Unit 12, Boulder, CO 80301	Retail	1,575	\$5,725	April 30, 2026
Drift South	5190 S Boulder Rd, Boulder CO 80303	Retail	2,642	\$9,548	April 22, 2032
Nuevo Holdings	1920 Columbia Dr. SE, Suite B, Albuquerque, NM 87106	Corporate Infrastructure and Other	10,000	\$7,083	August 29, 2024
Medzen - Conchas	501 Conchas St SE, Albuquerque, NM 87123	Wholesale	4,500	\$7,600	October 30, 2023
Eubank	301 Eubank Blvd SE, Albuquerque, NM 87123	Wholesale	23,558	\$11,104	December 31, 2022
Edith	8017 Edith Blvd NE, Albuquerque, NM, 87113	Wholesale	40,428	\$50,535	September 1, 2026
Mountain	124 Mountain PL NW, ABQ NM, 87114	Wholesale	Land and Building	\$3,093	April 1, 2022
Elemental Baylor	2434 Baylor Dr. SE, Albuquerque, NM, 87106	Wholesale	Land and Building	\$4,250	February 29, 2024
RGO1 - Menaul	4414 Menaul Blvd. NE, Suite A, Albuquerque, NM 87110	Retail	2,330	\$2,102	July 31, 2022
RGO2 - Ouray	5201 Ouray NW, Suite C; Albuquerque, NM 87120	Retail	3,084	\$7,196	January 1, 2024
RGO3 - Roosevelt	899 E. Roosevelt Ave, Grants, NM, 87020	Retail	Land and Building	\$1,700	December 31, 2024
RGO4 - Cottonwood	10250 Cottonwood Park NW, Suite J, Albuquerque, NM 87114	Retail	2,400	\$5,100	May 31, 2025

RG05 – Central 1	4014 Central Ave. SE, Albuquerque, NM 87106	Retail	1,371	\$1,275	December 1, 2025
RG06 - Montgomery	9821 Montgomery Blvd. NE, Suite A, Albuquerque, NM 87111	Retail	2,119	\$4,206	February 28, 2022
RG07 – North Main	4311 North Main St., Suite B, Roswell, NM 88201	Retail	2,000	\$3,605	December 19, 2024
RG08 - Mall	2750 Mall Dr., Las Cruces, NM 88011	Retail	1,628	\$3,183	January 6, 2025
RG09 - Lincoln	615 E. Lincoln, Unit A, Las Vegas, NM	Retail	2,000	\$1,500	May 1, 2024
RG010 - Cordova	403 W. Cordova, Santa Fe, NM, 87505	Retail	Land and Building	\$5,000	June 1, 2026
RG011 – Central 2	3423 Central Ave NE, Albuquerque, NM 87106	Retail	4,500	\$10,125	July 31, 2026
615 Haines	615 Haines Street, Albuquerque, NM 87102	Other	14,552	\$6,973	October 31, 2024

It is anticipated that our current leases will be sufficient for our needs for the foreseeable future based on our current plans.

### ITEM 3. 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. The receiver has not yet formally proposed a plan of liquidation but is expected to in the near future. The Company is actively participating in the receivership case.

On July 6, 2018, the Company filed a complaint in the Eighth Judicial Court, Clark County, Nevada against Vegas Valley Growers (“VVG”). In the complaint, the Company alleges breach by VVG of the Technologies License Agreement dated April 27, 2017 between the parties and seeks general, special and punitive damages in the amount of \$3,876,850. On August 28, 2018, VVG filed an Answer and Counterclaim against the Company. On August 2, 2019, a jury found in favor of the Company and awarded the Company damages totaling \$2,773,321 plus pre- and post-judgment interest and attorneys’ fees. In March 2020, VVG filed its opening appeal brief with the Nevada Supreme Court. The Company’s response brief was due on May 15, 2020. After VVG filed its opening brief in March 2020, the Company filed a Motion to Strike portions of the brief and record. On August 27, 2020, the court ordered VVG to supplement its brief and the record. On October 27, 2020, the Company, in a joint request with VVG, filed a motion to extend its time to file its answering brief. The Company filed its answering brief in January 2021. VVG’s reply brief was filed in March 2021. On July 23, 2021, the Nevada Supreme Court affirmed the trial court’s damage award but remanded the case to the trial court to properly calculate post-judgment interest. After the affirmance, VVG filed a petition for rehearing with the Nevada Supreme Court arguing it overlooked or misapprehended material facts in the record. The Company answered the rehearing petition arguing that it did not. On December 22, 2021, the Company received \$3,577,200 for most of the outstanding receivable plus interest and legal fees. There remains an unpaid balance of \$12,438 in long term accounts receivable as of December 31, 2021. A second disbursement was made in January 2022 in the amount of \$362,698 which constituted accrued interest. The remaining long term accounts receivable balance will continue to accrue interest until paid.

On March 6, 2020, the Company's former Chief Operating Officer, Joe Puglise, issued an arbitration demand against the Company claiming breach of contract and seeking equity compensation and cash damages. The Company counterclaimed with breach of contract and breach of fiduciary duty claims for unspecified damages. The parties commenced arbitration on January 25, 2021, which concluded in March 2021. On May 12, 2021, the arbitration panel entered an award in favor of Mr. Puglise finding that Mr. Puglise is entitled to \$189,920 as a performance bonus plus interest, and 2,000,000 vested options to purchase shares of common stock for \$1.49 per share. Mr. Puglise was also awarded attorneys' fees and costs in the amount of \$391,768.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

#### **MARKET INFORMATION**

We have one class of publicly traded stock, which is our Common Stock. Quotation of our Common Stock commenced on the OTCQB on or about January 25, 2016. On or about October 5, 2018, our Common Stock commenced quotation on the OTCQX. On April 20, 2020, the Company rebranded and since then conducts its business under the trade name Schwazze. The corporate name of the Company continues to be Medicine Man Technologies, Inc. Effective April 21, 2020, the Company commenced trading under the OTC ticker symbol "SHWZ."

As of March 25, 2022, the closing bid price of our Common Stock was \$2.13. Any over-the-counter market quotations for our Common Stock reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Trading volume in our Common Stock varies from day to day. We believe we will continue to experience expansion over time as our revenues and profitability grow to sustainable levels. As a result, the trading price of our Common Stock is subject to significant fluctuations in both volume and pricing.

#### **HOLDERS**

As of March 25, 2022, we had 117 holders of record of our Common Stock. The number of beneficial owners is substantially greater than the number of record holders because a portion of our common shares is held of record through brokerage firms in "street name."

#### **STOCK TRANSFER AGENT**

The stock transfer agent for our securities is Globex Transfer, LLC, 780 Deltona Boulevard, Suite 202, Deltona, Florida 32725, telephone number, including area code: (813) 344-4490.

#### **DIVIDENDS**

The Company has not declared or paid any cash dividends on its Common Stock, and the Company does not anticipate doing so in the foreseeable future. The Company's ability to pay dividends is restricted by the terms and provisions of its financing agreements, including but not limited to its Loan Agreement with SHWZ Altmore, the Indenture, and the provisions of the Articles of Incorporation related to the Preferred Stock. The Company currently intends to retain future earnings, if any, to operate its business and support its growth strategies. Any future determination to pay dividends on the Common Stock will be at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, contractual restrictions, restrictions imposed by applicable law, capital requirements and other factors that the Company's Board of Directors deems relevant. Dividends on the Preferred Stock are payable in kind in the form of an annual increase of the Preference Amount (as defined in the Articles of Incorporation), not cash.

#### **REPORTS**

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

### **ITEM 6. RESERVED.**

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

*You should read the following discussion and analysis of our financial condition and plan of operations together with our accompanying consolidated financial statements and the related notes appearing elsewhere in this Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under “Item 1A. Risk Factors” and “Forward Looking Statements” included elsewhere in this Report.*

**OVERVIEW OF THE COMPANY**

Established in 2014 and headquartered in Denver, Colorado, Medicine Man Technologies, Inc., a cannabis consumer packaged goods company and retailer. The Company’s focus is on building the premier, vertically integrated cannabis company by taking operating system to other states where it can develop a differentiated leadership position. The Company is anchored by a high-performance culture that combines customer-centric thinking and data science to test, measure, and drive decisions and outcomes.

**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 years ended December 31, 2021 and 2020 and (ii) consolidated balance sheet as of December 31, 2021 and 2020 have been derived from and should be read in conjunction with the consolidated financial statements and accompanying notes presented in Item 8 of this report.

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

	For the Years Ended December 31,		2021 vs 2020	
	2021	2020	\$	%
Total revenue	\$ 108,420,239	\$ 24,000,852	\$ 84,419,387	352%
Total cost of goods and services	59,066,545	17,226,486	41,840,059	243%
Gross profit	49,353,694	6,774,366	42,579,328	629%
Total operating expenses	38,944,528	29,677,305	9,267,223	31%
Income (loss) from operations	10,409,166	(22,902,939)	33,312,105	-145%
Total other income (expense)	8,506,128	2,587,069	8,094,602	313%
Provision for income taxes (benefit)	4,396,164	(899,109)	5,295,273	589%
Net income (loss)	\$ 14,519,130	\$ (19,416,761)	\$ 19,922,230	-103%
Less: Accumulated preferred stock dividends for the period	(7,346,153)	–	(7,346,153)	0%
Net income (loss) attributable to common stockholders	\$ 7,172,977	\$ (19,416,761)	\$ 26,589,738	-137%
Earnings (loss) per share attributable to common shareholders - basic	\$ 0.17	\$ (0.47)	\$ 0.64	-135%
Earnings (loss) per share attributable to common shareholders - diluted	\$ (0.06)	\$ (0.47)	\$ 0.42	-88%
Weighted average number of shares outstanding - basic	43,339,092	41,217,026		
Weighted average number of shares outstanding - diluted	101,368,958	41,217,026		

	December 31, 2021	December 31, 2020
Total Assets	\$ 285,030,792	\$ 70,682,601
Long-Term Liabilities	106,197,948	16,547,356

**Revenue segments**

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

## Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

Revenues for the year ended December 31, 2021, totaled \$108,420,239 including (i) retail sales of \$73,723,654 (ii) wholesale sales of \$34,471,447 and (iii) other operating revenues of \$225,138, compared to revenues of \$24,000,852 including (i) retail sales of \$3,858,613, (ii) wholesale of \$18,647,780, and (iii) other operating revenues of \$1,494,459 during the year ended December 31, 2020 representing an increase of \$84,419,387 or 352%. This increase was due to increased sale of our products as well as growth through acquisition. In 2021, we acquired eight new retail dispensaries and one cultivation facility. Also, 2021 was the first full year of retail revenue from the six retail locations acquired in December 2020, which contributed to the revenue growth in our retail and wholesale segments. The decrease in other operating revenue in 2021 was largely due to decreased service offerings and consulting revenue and increased investment in our retail and wholesale segments.

### Cost of Goods and Services

Cost of services for the year ended December 31, 2021, totaled \$59,066,545 compared to cost of services of \$17,226,486 during the year ended December 31, 2020, representing an increase of \$41,840,059 or 243%. This increase was due to increased sales of our products as well as growth through acquisition. As the Company was able to realize operating leverage and synergies, the increase in cost of goods and services did not increase consistently with the revenue increase.

### Operating Expenses

Operating expenses for the year ended December 31, 2021, totaled \$38,944,528, compared to operating expenses of \$29,677,305 during the year ended December 31, 2020, representing an increase of \$9,267,223 or 31%. This increase was due to increased selling, general and administrative expenses, professional service fees, salaries, benefits and related employment costs and non-cash, stock-based compensation.

### Other Income (Expense), Net

Other expense, net for the year ended December 31, 2021, totaled \$8,506,128, compared to other income, net of \$2,587,069 during the year ended December 31, 2020, representing an increase of \$5,919,059 or 229%. The increase in other expense, net was due to increase in interest payments due to various loans offset by the gain on derivative liability.

### Net Income (Loss)

As a result of the factors discussed above, we generated net income for the year ended December 31, 2021 of \$14,519,130, compared to net loss of \$19,416,761 during the year ended December 31, 2020.

## RESULTS OF OPERATION BY SEGMENT

### Revenue by Segment

	December 31,		\$	%
	2021	2020		
Retail	\$ 73,723,654	\$ 3,858,613	\$ 69,865,041	1,811%
Wholesale	34,471,447	18,647,780	15,823,667	85%
Other	225,138	1,494,459	(1,269,321)	-85%
Total	\$ 108,420,239	\$ 24,000,852		

### ***Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020***

Revenues for retail were \$73,723,654 for the year ended December 31, 2021, an increase of \$69,865,041 or 1,811% compared to the year ended December 31, 2020. The increase in retail revenues was primarily driven by acquisitions of dispensaries in Colorado.

Revenues for wholesale were \$34,471,447 for the year ended December 31, 2021, an increase of \$15,823,667 or 85% compared to the year ended December 31, 2020. The increase in wholesale revenue was primarily driven by acquisition of cultivation facilities and increase in sales of products to the market.

Revenues for other were \$225,138 for the year ended December 31, 2021, a decrease of \$1,233,907 or 85% compared to the year ended December 31, 2020. The decrease in other revenue was primarily driven by the focus from consulting to retail and wholesale.

### **DRIVERS OF RESULTS OF OPERATIONS**

#### **Revenue**

The Company derives its revenue from three revenue streams: Retail which sells finished goods sourced internally and externally to the end consumer in retail stores; 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; Other which includes other income and expenses, such as, licensing and consulting services, facility design services, facility management services, the Company's Three A Light™ publication, and corporate operations.

#### **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.

#### **Total Operating Expenses**

Total operating expenses other than the costs of goods sold consists of selling costs to support customer relations, marketing and branding activities. It also includes an investment in the corporate infrastructure required to support the Company's ongoing business.

#### **Non-GAAP Measures**

EBITDA and Adjusted EBITDA 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.



	December 31,	
	2021	2020
<b>Net income (loss)</b>	\$ 14,519,130	\$ (19,416,761)
Interest income (expense), net	7,014,279	41,460
Provision for income tax expense (benefit)	4,396,164	(899,109)
Other (income) expense	(15,520,407)	(2,628,529)
Depreciation and amortization	8,576,865	476,592
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA) (non-GAAP measure)</b>	<u>\$ 18,986,031</u>	<u>\$ (22,426,347)</u>
Non-Cash Stock Compensation	5,037,879	8,230,513
Deal Related Expenses	2,779,151	3,684,553
Capital Raise Related Expenses	1,512,565	1,337,708
Severance	166,557	989,864
Retention Program Expenses	90,250	–
Employee Relocation Expenses	40,819	27,491
Other non-recurring items	3,552,836	547,523
<b>Adjusted EBITDA (non-GAAP measure)</b>	<u>\$ 32,166,088</u>	<u>\$ (7,608,695)</u>

#### LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2021 and December 31, 2020, the Company had total current liabilities of \$45,263,179 and \$12,360,386, respectively. The increase in current liabilities is driven by the derivative liability associated with the Investor Notes as well as from general growth of the Company. As of December 31, 2021 and December 31, 2020, the Company had cash and cash equivalents of \$106,400,216 and \$1,231,235, respectively to meet its current obligations. The Company had working capital of \$78,649,076 as of December 31, 2021, an increase of \$85,012,097 as compared to December 31, 2020. The increase in working capital is primarily driven by increase in cash from the Investor Notes issued on December 7, 2021.

The Company is an early-stage growth company, generating cash from revenues and capital raise. Cash is being reserved primarily for capital expenditures, facility improvements and strategic investment opportunities. The Company anticipates overall revenue to increase in 2022 due to acquisitions and adult-use becoming legalized in New Mexico on April 1, 2022. It is possible the Company will seek additional external financing to meet capital needs.

#### Cash Flows

##### *Cashed used in Operating, Investing and Financing Activities*

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31, 2021, 2020 and 2019 were as follows:

	For the Years Ended December 31,	
	2021	2020
Net cash provided by (used in) Operating Activities	\$ 57,334,386	\$ (9,799,690)
Net cash (used in) provided by Investing Activities	(81,163,754)	(33,219,140)
Net cash provided by used in Financing Activities	128,998,004	31,901,881

The Company's cash provided by operating activities is driven by increase in sales from acquisitions. Our use of cash from investing activities is driven by acquisition of businesses and property, plant and equipment for existing entities. Our cash provided by financing activities is mainly from proceeds from our credit facility, the Investor Notes and the issuance of shares of Preferred Stock.

#### CONTRACTUAL CASH OBLIGATIONS AND OTHER COMMITMENTS AND CONTINGENCIES

The following table quantifies the Company's future contractual obligation as of December 31, 2021:

	Total	2022	2023	2024	2025	2026	Thereafter
Notes payable (a)	\$ 154,250,000	\$ –	\$ 2,250,000	\$ 3,000,000	\$ 23,651,759	\$ 125,348,241	\$ –
Interest due on notes payable	75,878,422	16,833,160	16,559,990	16,504,822	15,542,869	10,437,580	–
Right of use assets	25,603,348	2,136,040	9,156,402	1,385,619	1,258,029	5,414,724	6,252,534
<b>Total</b>	<u>\$ 255,731,770</u>	<u>\$ 18,969,200</u>	<u>\$ 27,966,392</u>	<u>\$ 20,890,441</u>	<u>\$ 40,452,657</u>	<u>\$ 141,200,546</u>	<u>\$ 6,252,534</u>

(a) – This amount excludes \$48,477,789 of unamortized debt discount and \$8,289,743 of unamortized debt issuance costs. See Note 11 Debt

The Company anticipates using funds from operating activities and if needed, future capital raise to support contractual cash obligations.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2021 and December 31, 2020, we were not party to any off-balance sheet arrangement that had or was reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

#### ***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**

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.

We have three main revenue streams: (i) retail sales, (ii) wholesale sales, and (iii) other revenues from revenues from consulting, licensing, and other miscellaneous sources.

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 licensing and consulting services, is recognized when our obligations to our client are fulfilled which is determined when milestones in the contract are achieved. The Company's revenue from seminar fees is related to one-day seminars and is recognized as earned upon the completion of the seminar. We also recognize expense reimbursement from clients as revenue for expenses incurred during certain jobs.

#### **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. We 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 on our subsidiaries with material goodwill and intangible asset amounts on their respective balance sheets at December 31, 2021, and determined that no impairment exists.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

### MEDICINE MAN TECHNOLOGIES INC.

#### Table of Contents

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID 5041)	F-1
Consolidated Balance Sheets as of December 31, 2021, and 2020	F-2
Consolidated Statement of Comprehensive (Loss) and Income for the Years Ended December 31, 2021 and 2020	F-3
Statement of Changes in Stockholders' Equity for the Years Ended December 31, 2021 and 2020	F-4
Statements of Cash Flows for the Years Ended December 31, 2021 and 2020	F-5
Notes to Financial Statements	F-6



## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Medicine Man Technologies, Inc. as of December 31, 2021 and 2020, the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/S/ BF Borgers CPA PC

**BF Borgers CPA PC**

We have served as the Company's auditor since 2016

Lakewood, CO

March 30, 2022

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

	<b>December 31,</b> <b>2021</b>	<b>December 31</b> <b>2020</b>
	<u>(Audited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 106,400,216	\$ 1,231,235
Accounts receivable, net of allowance for doubtful accounts	3,866,828	1,270,380
Accounts receivable - related party	–	80,494
Inventory	11,121,997	2,619,145
Note receivable - current, net	–	–
Note receivable - related party	–	181,911
Prepaid expenses and other current assets	2,523,214	614,200
Total current assets	<u>123,912,255</u>	<u>5,997,365</u>
Non-current assets		
Fixed assets, net accumulated depreciation of \$1,988,973 and \$872,579, respectively	10,253,226	2,584,798
Goodwill	43,316,267	53,046,729
Intangible assets, net accumulated amortization of \$7,652,750 and \$200,456, respectively	97,582,330	3,082,044
Marketable securities, net of unrealized gain (loss) of \$216,771 and \$(129,992), respectively	493,553	276,782
Note receivable – noncurrent, net	143,333	–
Accounts receivable – litigation	303,086	3,063,968
Other noncurrent assets	514,962	51,879
Operating lease right of use assets	8,511,780	2,579,036
Total non-current assets	<u>161,118,537</u>	<u>64,685,236</u>
Total assets	<u><u>\$ 285,030,792</u></u>	<u><u>\$ 70,682,601</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 2,548,885	\$ 3,508,478
Accounts payable - related party	36,820	48,982
Accrued expenses	5,592,222	2,705,445
Derivative liabilities	34,923,013	1,047,481
Deferred revenue	–	50,000
Notes payable - related party	134,498	5,000,000
Income taxes payable	2,027,741	–
Total current liabilities	<u>45,263,179</u>	<u>12,360,386</u>
Long term debt	97,482,468	13,901,759
Lease liabilities	8,715,480	2,645,597
Total long-term liabilities	<u>106,197,948</u>	<u>16,547,356</u>
Total liabilities	<u><u>\$ 151,461,127</u></u>	<u><u>\$ 28,907,742</u></u>
Commitments and contingencies (Note 12)	–	–
Stockholders' equity		
Common stock, \$0.001 par value. 250,000,000 shares authorized; 45,455,490 shares issued and 44,717,046 shares outstanding at December 31, 2021 and 42,601,773 shares issued and 42,169,041 shares outstanding as of December 31, 2020	45,485	42,602
Preferred stock, \$0.001 par value. 10,000,000 shares authorized; 86,994 shares issued and 82,594 outstanding at December 31, 2021 and 10,000,000 shares authorized; 19,716 shares issued and outstanding at December 31, 2020	87	20
Additional paid-in capital	162,815,097	85,357,835
Accumulated deficit	(27,773,968)	(42,293,098)
Common stock held in treasury, at cost, 517,044 shares held as of December 31, 2021 and 432,732 shares held as of December 31, 2020.	(1,517,036)	(1,332,500)
Total stockholders' equity	<u>133,569,665</u>	<u>41,774,859</u>
Total liabilities and stockholders' equity	<u><u>\$ 285,030,792</u></u>	<u><u>\$ 70,682,601</u></u>

See accompanying notes to the financial statements

**MEDICINE MAN TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) AND INCOME**  
*For the Years Ended December 31, 2021 and 2020*  
*Expressed in U.S. Dollars*

	Year Ended December 31, 2021 (Audited)	Year Ended December 31, 2020 (Audited)
Operating revenues		
Retail	\$ 73,761,010	\$ 3,858,613
Wholesale	34,434,091	18,647,780
Other	225,138	1,494,459
Total revenue	108,420,239	24,000,852
Cost of goods and services	59,066,545	17,226,486
Total cost of goods and services	59,066,545	17,226,486
Gross profit	49,353,694	6,774,366
Operating expenses		
Selling, general and administrative expenses	16,616,306	4,523,603
Professional services	5,346,934	8,545,300
Salaries	11,943,409	8,377,889
Stock based compensation	5,037,879	8,230,513
Total operating expenses	38,944,528	29,677,305
Income (loss) from operations	10,409,166	(22,902,939)
Other income (expense)		
Interest expense, net	(7,014,279)	(41,460)
Gain on forfeiture of contingent consideration	–	1,462,636
Unrealized gain on derivative liabilities	15,061,142	1,263,264
Other income	–	32,621
Gain on sale of assets	242,494	–
Unrealized gain (loss) on investments	216,771	(129,992)
Total other income (expense)	8,506,128	2,587,069
Pre-tax net income (loss)	\$ 18,915,294	\$ (20,315,870)
Provision for income taxes (benefit)	4,396,164	(899,109)
Net income (loss)	\$ 14,519,130	\$ (19,416,761)
Less: Accumulated preferred stock dividends for the period	(7,346,153)	–
Net income (loss) attributable to common stockholders	\$ 7,172,977	\$ (19,416,761)
Earnings (loss) per share attributable to common shareholders		
Basic earnings (loss) per share	\$ 0.17	\$ (0.47)
Diluted loss per share	\$ (0.06)	\$ (0.47)
Weighted average number of shares outstanding - basic	43,339,092	41,217,026
Weighted average number of shares outstanding - diluted	101,368,958	41,217,026
Comprehensive income (loss)	\$ 14,519,130	\$ (19,416,761)

See accompanying notes to the financial statements

**MEDICINE MAN TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
*For the Years Ended December 31, 2021 and 2020*  
*Expressed in U.S. Dollars*

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Shares</u>	<u>Cost</u>	<u>Stockholders' Equity</u>
Balance, December 31, 2019	<u>0</u>	<u>\$ 0</u>	<u>39,952,628</u>	<u>\$ 39,953</u>	<u>\$ 50,356,469</u>	<u>\$ (22,816,477)</u>	<u>257,732</u>	<u>\$ (1,000,000)</u>	<u>\$ 26,579,945</u>
Net income (loss)	—	—	—	—	—	(19,416,761)	—	—	(19,416,761)
Issuance of stock as payment for acquisitions	9,266	9	2,554,750	2,555	13,435,085	—	—	—	13,437,640
Return of common stock as compensation to employees, officers and/or directors	—	—	(500,000)	(500)	—	—	—	—	(500)
Issuance of common stock to employees, officers, and/or directors	—	—	406,895	407	496,895	—	—	—	497,301
Issuance of common stock in connection with sales made under private offerings	10,450	10	187,500	187	12,838,872	—	—	—	12,839,080
Dividends declared	—	—	—	—	—	(59,860)	—	—	(59,860)
Return of common stock	—	—	—	—	—	—	175,000	(332,500)	(332,500)
Stock based compensation expense related to common stock options	—	—	—	—	8,230,513	—	—	—	8,230,513
Balance, December 31, 2020	<u>19,716</u>	<u>\$ 20</u>	<u>42,601,773</u>	<u>\$ 42,601</u>	<u>\$ 85,357,835</u>	<u>\$ (42,293,098)</u>	<u>432,732</u>	<u>\$ (1,332,500)</u>	<u>\$ 41,774,859</u>

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Shares</u>	<u>Cost</u>	<u>Stockholders' Equity</u>
Balance, December 31, 2020	<u>19,716</u>	<u>\$ 20</u>	<u>42,601,773</u>	<u>\$ 42,601</u>	<u>\$ 85,357,835</u>	<u>\$ (42,293,098)</u>	<u>432,732</u>	<u>\$ (1,332,500)</u>	<u>\$ 41,774,859</u>
Net income (loss)	—	—	—	—	—	14,519,130	—	—	14,519,130
Issuance of stock as payment for acquisitions	20,240	20	2,313,994	2,314	22,741,669	—	—	—	22,744,003
Return of common stock as compensation to employees, officers and/or directors	—	—	—	—	—	—	—	—	—
Issuance of common stock as compensation to employees, officers and/or directors	—	—	323,530	324	620,948	—	—	—	621,272
Issuance of preferred stock in connection with sales made under private offerings	47,310	47	—	—	49,688,553	—	—	—	49,688,600
Dividends declared	—	—	—	—	—	—	—	—	—
Conversion of preferred stock to common stock	(272)	—	245,017	245	271,754	—	—	—	272,000
Return of common stock	—	—	—	—	—	—	84,312	(184,536)	(184,536)
Stock based compensation expense related to common stock options	—	—	—	—	4,134,338	—	—	—	4,134,338
Balance, December 31, 2021	<u>86,994</u>	<u>\$ 87</u>	<u>45,484,314</u>	<u>\$ 45,485</u>	<u>\$ 162,815,097</u>	<u>\$ (27,773,968)</u>	<u>517,044</u>	<u>\$ (1,517,036)</u>	<u>\$ 133,569,665</u>

See accompanying notes to the financial statements



**MEDICINE MAN TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2021 and 2020  
Expressed in U.S. Dollars

	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>Cash flows from operating activities</b>		
Net income (loss) for the period	\$ 14,519,130	\$ (19,416,761)
Adjustments to reconcile net income to cash used in operating activities		
Depreciation and amortization	8,576,865	476,592
Deferred taxes	–	268,423
(Gain) loss on change in derivative liabilities	33,875,532	(2,725,901)
(Gain) loss on investment, net	(216,771)	129,992
(Gain) loss on sale of assets	(242,494)	–
Stock based compensation	5,037,879	8,230,513
Changes in operating assets and liabilities (net of acquired amounts):		
Accounts receivable	244,929	874,616
Inventory	(4,703,186)	781,512
Prepaid expenses and other current assets	(1,909,014)	(84,784)
Other assets	(457,083)	(51,879)
Operating leases right of use assets and liabilities	137,139	59,701
Accounts payable and other liabilities	493,719	1,610,226
Deferred revenue	(50,000)	50,000
Income taxes payable	2,027,741	(1,940)
<b>Net cash provided by (used in) operating activities</b>	<b>57,334,386</b>	<b>(9,799,690)</b>
<b>Cash flows from investing activities:</b>		
Collection of notes receivable	181,911	827,495
Cash consideration for acquisition of business	(75,678,000)	(33,278,462)
Purchase of fixed assets	(5,638,085)	(768,173)
Purchase of intangible assets	(29,580)	–
<b>Net cash used in investing activities</b>	<b>(81,163,754)</b>	<b>(33,219,140)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	83,580,709	13,901,759
Repayment of notes payable	(4,865,502)	5,000,000
Proceeds from issuance of common stock, net of issuance costs	50,283,142	12,625,312
Proceeds from exercise of common stock purchase warrants, net of issuance	–	374,810
<b>Net cash provided by financing activities</b>	<b>128,998,349</b>	<b>31,901,881</b>
Net increase (decrease) in cash and cash equivalents	105,168,981	(11,116,948)
Cash and cash equivalents at beginning of period	1,231,235	12,348,183
<b>Cash and cash equivalents at end of period</b>	<b>\$ 106,400,216</b>	<b>\$ 1,231,235</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 5,759,220	\$ 41,565
Cash paid for income tax	2,100,000	–
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Return of common stock	\$ 184,536	\$ 332,500
Issuance of stock as payment for acquisitions	22,744,003	13,437,640
Issuance of preferred stock in connection with private offerings	49,688,553	12,839,080
Conversion of preferred stock to common stock	272,000	–

See accompanying notes to the financial statements

**MEDICINE MAN TECHNOLOGIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Organization and Nature of Operations**

*Business Description – Business Activity*

We were incorporated in Nevada on March 20, 2014. On May 1, 2014, the Company entered into an exclusive Technology License Agreement with Medicine Man Denver whereby Medicine Man Denver granted us a license to use all of their proprietary processes they have developed, implemented and practiced at their cannabis facilities relating to the commercial growth, cultivation, marketing and distribution of medical marijuana and recreational marijuana pursuant to relevant state laws and the right to use and to license such information, including trade secrets, skills and experience (present and future). The Company's operations are organized into three different segments as follows: (i) retail, consisting of retail locations for sale of cannabis products, (ii) wholesale, consisting of manufacturing, cultivation and sale of wholesale cannabis products, nutrients for cannabis, and hydroponics and indoor gardening supplies, and (iii) other, consisting of all other income and expenses, including those related to licensing and consulting services, facility design services, facility management services, and corporate operations.

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

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

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

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

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

On July 21, 2021, the Company acquired the assets of Southern Colorado Growers under the applicable APAs.

On December 3, 2021, the Company and all the Subsidiary Guarantors entered into the Note Purchase Agreement with 31 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, Chicago Admin, LLC, as collateral agent (the "Indenture Collateral Agent"), Ankura Trust Company, LLC, as Indenture Trustee, and the Indenture. The Company received net proceeds of approximately \$92 million at the closing, after deducting a commission to the placement agent and estimated offering expenses. 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.

On December 21, 2021, the Company acquired the assets of Smoking Gun under the applicable APAs.

## **1. Liquidity and Capital Resources**

During the fiscal year ended December 31, 2021 and 2020, the Company primarily used revenues from its operations supplemented by cash from capital raises and debt to fund its operations.

Cash and cash equivalents are carried at cost or amortized cost and represent cash on hand, deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date. The Company had \$106,400,216 and \$1,231,235 classified as cash and cash equivalents as of December 31, 2021, and December 31, 2020, respectively.

The Company maintains its cash balances with high-credit-quality financial institutions. At times, such cash may be more than the insured limit of \$250,000. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to any significant credit risk on its cash and cash equivalents. Management believes that the Company has resources to fund its operations for at least twelve months past the date of this Report.

## **2. Accounting Policies and Estimates**

### *Basis of Presentation*

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

### *Use of Estimates*

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

### *Reclassifications*

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

### *Accounting for Business Combinations and Acquisitions*

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.

### *Fair Value Measurements*

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

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

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

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

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

The following is the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis at December 31, 2021 and December 31, 2020, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	December 31, 2021	December 31, 2020
Level 1 - Marketable Securities Available-for-Sale – Recurring	\$ 493,553	\$ 276,782

#### Marketable Securities at Fair Value on a Recurring Basis

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

#### Fair Value of Financial Instruments

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

#### Derivative Liabilities

The Company uses the fair-value method of accounting for derivative liabilities and such liabilities are remeasured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using a Monte Carlo simulation model.

#### Accounts Receivable

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

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

	December 31, 2021	December 31, 2020
Accounts receivable - trade	\$ 4,001,874	\$ 1,315,188
Accounts receivable - related party	–	80,494
Accounts receivable - litigation, non-current	303,086	3,063,968
Allowance for doubtful accounts	(135,046)	(44,808)
Total accounts receivable	<u>\$ 4,169,914</u>	<u>\$ 4,414,842</u>

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

#### Notes Receivable

On March 12, 2021, the Company sold equipment to Colorado Cannabis Company. The terms of sale included a zero interest note receivable, payable \$11,944 on the first of each month for 24 months. As of December 31, 2021, the outstanding balance, including penalties for late payments, on the notes receivable with Colorado Cannabis Company totaled \$143,333.

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

Prepaid expenses and other assets as of December 31, 2021 and December 31, 2020 were \$3,038,176 and \$666,079, respectively. As of December 31, 2021, this balance included \$2,523,215 in prepaid expenses and \$514,962 in security deposits. As of December 31, 2020, other assets included \$345,777 in prepaid expenses, \$268,423 in tax receivable, and \$51,879 in security deposits. Prepaid expenses were primarily comprised of insurance premiums, membership dues, conferences and seminars, and other general and administrative costs.

#### Goodwill and Intangible Assets

Goodwill represents the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. The goodwill arising from the Company's acquisitions is attributable to the value of the potential expanded market opportunity with new customers. Intangible assets have either an identifiable or indefinite useful life. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their economic or legal life, whichever is shorter. The Company's amortizable intangible assets consist of licensing agreements, product licenses and registrations, and intellectual property or trade secrets. Their estimated useful lives range from 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. The Company performs an annual impairment assessment for goodwill during the fourth quarter of each year and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than the carrying amount. Goodwill impairment testing is a two-step process performed at the reporting unit level. Step one compares the fair value of the reporting unit to its carrying amount. The fair value of the reporting unit is determined by considering both the income approach and market approaches. The fair values calculated under the income approach and market approaches are weighted based on circumstances surrounding the reporting unit. Under the income approach, the Company determines fair value based on estimated future cash flows of the reporting unit, which are discounted to the present value using discount factors that consider the timing and risk of cash flows. For the discount rate, the Company relies on the capital asset pricing model approach, which includes an assessment of the risk-free interest rate, the rate of return from publicly traded stocks, the Company's risk relative to the overall market, the Company's size and industry and other Company-specific risks. Other significant assumptions used in the income approach include the terminal value, growth rates, future capital expenditures and changes in future working capital requirements. The market approaches use key multiples from guideline businesses that are comparable and are traded on a public market. If the fair value of the reporting unit is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount exceeds its fair value, then the second step must be completed to measure the amount of impairment, if any. Step two calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit as calculated in step one. In this step, the fair value of the reporting unit is allocated to all of the reporting unit's assets and liabilities in a hypothetical purchase price allocation as if the reporting unit had been acquired on that date. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to the excess.

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

The Company performed its annual fair value assessment as of December 31, 2021, on its subsidiaries with material goodwill and intangible asset amounts on their respective balance sheets and determined that no impairment exists.

#### Long-Lived Assets

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

The Company evaluated the recoverability of its long-lived assets on December 31, 2021 on its subsidiaries with material amounts on their respective balance sheets and determined that no impairment exists.

#### Accounts Payable

Accounts payable as of December 31, 2021 and December 31, 2020 were \$2,585,705 and \$3,557,460, respectively, and were comprised of trade payables for various purchases and services rendered during the ordinary course of business.

#### Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities as of December 31, 2021 and December 31, 2020 were \$5,592,222 and \$2,705,445, respectively. As of December 31, 2021, this was comprised of accrued payroll of \$301,312 and operating expenses of \$5,290,910. As of December 31, 2020, accrued expenses and other liabilities was comprised of customer deposits of \$26,826, accrued payroll of \$1,154,887, and operating expenses of \$1,523,732.

#### Revenue Recognition and Related Allowances

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

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

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

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

#### Costs of Goods and Services Sold

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

#### General and Administrative Expenses

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

### Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and totaled \$971,419 and \$1,040,671 as of December 31, 2021 and December 31, 2020, respectively.

### Stock Based Compensation

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

Stock compensation expense for stock options is recognized over the vesting period of the award or expensed immediately under ASC 718 and Emerging Issues Task Force 96-18 when stock or options are awarded for previous or current service without further recourse.

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

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

The Company recognized \$5,037,879 and \$8,230,513 in expense for stock-based compensation from common stock options and common stock issued to employees, officers, and directors during December 31, 2021 and December 31, 2020, respectively.

### Income Taxes

ASC 740, Income Taxes requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

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

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

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

#### Right of Use Assets and Lease Liabilities

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize almost all leases on the balance sheet as a Right-of-Use (“ROU”) asset and a lease liability and requires leases to be classified as either an operating or a finance type lease. The standard excludes leases of intangible assets or inventory. The standard became effective for the Company beginning January 1, 2019. The Company adopted ASC 842 using the modified retrospective approach, by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under ASC 842. The Company elected the package of practical expedients permitted under the standard, which also allowed the Company to carry forward historical lease classifications. The Company also elected the practical expedient related to treating lease and non-lease components as a single lease component for all equipment leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the ROU assets and lease liabilities.

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

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

### 3. Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. Pronouncements that are not applicable to the Company or where it has been determined do 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. 2016-02, Leases (Topic 842)*, which amends the effective date of the original pronouncement for smaller reporting companies. ASU 2016-13 and its amendments will be effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company believes the adoption will modify the way the Company analyzes financial instruments, but it does not anticipate a material impact on results of operations. The Company is in the process of determining the effects adoption will have on its consolidated financial statements.

### 4. Property and Equipment

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

	December 31, 2021	December 31, 2020
Furniture and fixtures	\$ 300,798	\$ 228,451
Leasehold improvements	853,599	90,314
Vehicles, machinery, and tools	2,152,129	1,456,752
Land	35,000	–
Software, servers and equipment	2,550,154	1,412,446
Building	2,910,976	–
Construction in process	3,439,543	269,414
<b>Total asset cost</b>	<b>\$ 12,242,199</b>	<b>\$ 3,457,377</b>
Less: accumulated depreciation	(1,988,973)	(872,579)
<b>Total property and equipment, net of depreciation</b>	<b>\$ 10,253,226</b>	<b>\$ 2,584,798</b>



Depreciation on equipment is recorded on a straight-line basis over the following expected useful:

Furniture and fixtures	3-5 years
Leasehold improvements	Lesser of the lease term or estimated useful life
Vehicles, machinery and tools	3-5 years
Land	Indefinite
Software, servers and equipment	3 years
Building	39 years

Depreciation expense for the years ended December 31, 2021 and 2020 was \$1,124,571 and \$295,947, respectively.

## 5. Intangible Asset

Intangible assets at December 31, 2021 and 2020 were comprised of the following:

	December 31, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
License agreement	\$ 94,230,280	\$ (5,496,902)	\$ 1,667,000	\$ (37,765)
Tradename	4,560,000	(845,667)	350,000	(15,644)
Customer relationships	5,150,000	(933,690)	1,055,000	(107,175)
Non-compete	1,205,000	(343,056)	120,000	(17,067)
Product license and registration	57,300	(17,963)	57,300	(14,367)
Trade secret – intellectual property	32,500	(10,472)	32,500	(8,438)
Total	<u>\$ 105,235,080</u>	<u>(7,652,750)</u>	<u>3,282,500</u>	<u>(200,456)</u>

Amortization expense for years ended December 31, 2021 and 2020 was \$7,452,294 and \$180,644, respectively.

The following table presents the Company's future projected annual amortization expense as of December 31, 2021:

2022	\$ 8,555,386
2023	8,555,386
2024	8,247,331
2025	7,822,997
2026	5,955,831
Thereafter	58,445,399
	<u>\$ 97,582,330</u>

## 6. Derivative Liabilities

### Employee Common Stock

During the year ended December 31, 2019, the Company entered into employment agreements with certain key officers that contained contingent consideration provisions based upon the achievement of certain market condition milestones. The Company determined that each of these vesting conditions represented derivative instruments.

On January 8, 2019, the Company granted the right to receive 500,000 shares of restricted Common Stock to an officer, which will vest at such time that that the Company's stock price appreciates to \$8.00 per share with defined minimum average daily trading volume thresholds. This right expired on January 8, 2022.

On April 23, 2019, the Company granted the right to receive 1,000,000 shares of restricted Common Stock to an officer, which will vest at such time that that the Company's stock price appreciates to \$8.00 per share with defined minimum average daily trading volume thresholds. On February 25, 2020, the officer resigned from his remaining positions with the Company and forfeited his right to the contingent consideration. As a result, the Company recorded a gain of \$1,462,636 as a component of other income (expense), net on its financial statements for the fiscal year ended December 31, 2020.

On June 11, 2019, the Company granted the right to receive 1,000,000 shares of restricted Common Stock to an officer, which will vest at such time that the Company's stock price appreciates to \$8.00 per share with defined minimum average daily trading volume thresholds. This right expired January 8, 2022.

The Company accounts for derivative instruments in accordance with the GAAP accounting guidance under ASC 815 *Derivatives and Hedging Activities*. The Company estimated the fair value of these derivatives at the respective balance sheet dates using the Black-Scholes option pricing model based upon the following inputs: (i) stock price on the date of grant ranging between \$1.32 - \$3.75, (ii) the contractual term of the derivative instrument ranging between 2.25 - 3 years, (iii) a risk-free interest rate ranging between 1.87% - 2.57% and (iv) an expected volatility of the price of the underlying Common Stock ranging between 145% - 158%.

The fair value of these derivative liabilities is \$0 and \$1,047,481 as of December 31, 2021 and December 31, 2020, respectively. The change in the fair value of derivative liabilities is \$1,047,048 and \$1,263,264 for the year ended December 31, 2021 and December 31, 2020, respectively.

#### *Investor Note*

The Company issued Investor Notes in an aggregate principal amount of \$95,000,000 on December 7, 2021. A reconciliation of the beginning and ending balances of the derivative liabilities for the periods ended December 31, 2021 were as follows:

<b>Balance as of January 1, 2021</b>	<b>\$</b>	<b>—</b>
Fair value of derivative liabilities on issuance date		48,936,674
Gain on derivative liability		(14,013,661)
<b>Balance as of December 31, 2021</b>	<b>\$</b>	<b>34,923,013</b>

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 \$48,936,674 in relation to the derivative liability portion of the Investor Notes. The Company recorded \$458,885 and \$0 in amortization related to the debt discount for the year ended December 31, 2021 and 2020, respectively.

## **7. Related Party Transactions**

### *Transactions Involving Former Directors, Executive Officers or Their Affiliated Entities*

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

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

Also, during the year ended December 31, 2019, the Company made loans to MedPharm totaling \$767,695 evidenced by promissory notes with original maturity dates ranging from September 21, 2019 through January 19, 2020 and all bearing interest at 8% per annum. On August 1, 2020, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with MedPharm pursuant to which (i) the parties agreed that the outstanding amount owed by MedPharm to the Company was \$767,695 of principal and \$47,161 in accrued and unpaid interest, (ii) MedPharm paid the Company \$100,000 in cash, (iii) Andrew Williams returned 175,000 shares of Common Stock to the Company, as partial repayment of the outstanding balance at a value of \$1.90 per share. These shares are held in treasury. The remaining outstanding principal and interest of \$181,911 due and payable by MedPharm under the Settlement Agreement was to be paid out in bi-weekly installments of product by scheduled deliveries through June 30, 2021. This amount was paid off on April 19, 2021.

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

#### *Transactions with Entities Affiliated with Justin Dye*

The Company has participated in several transaction involving Dye Capital, Dye Capital Cann Holdings, LLC (“Dye Cann I”) and Dye Cann II. Justin Dye, the Company’s Chief Executive Officer, one of its directors, and the largest beneficial owner of 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 terms of the Dye Cann I SPA are disclosed in the Company’s Current Report on Form 8-K filed on June 6, 2019. The Company and Dye Cann I entered into a first amendment to the Dye Cann I SPA on July 15, 2019, as described in the Company’s Current Report on Form 8-K filed on July 17, 2019, a second amendment to the Dye Cann I SPA on May 20, 2020, as described in the Company’s Current Report on Form 8-K filed on May 22, 2020, and a Consent, Waiver and Amendment on December 16, 2020, as described in the Company’s Current Report on Form 8-K filed on December 23, 2020. At the time of the initial closing under the Dye Cann I SPA, Justin Dye became a director and the Company’s Chief Executive Officer.

The Company granted Dye Cann I certain demand and piggyback registration rights with respect to the shares of common stock sold under the Dye Cann I SPA and issuable upon exercise of the warrants sold under the Dye Cann I SPA. The Company also granted Dye Cann I the right to designate one or more individuals for election or appointment to the Company’s board of directors (the “Board”) and Board observer rights. Further, under the Dye Cann I SPA, until June 5, 2022, if the Company desires to pursue debt or equity financing, the Company must first give Dye Cann I an opportunity to provide a proposal to the Company with the terms upon which Dye Cann I would be willing to provide or secure such financing. If the Company does not accept Dye Cann I’s proposal, the Company may pursue such debt or equity financing from other sources but Dye Cann I has a right to participate in such financing to the extent required to enable Dye Cann I to maintain the percentage of 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 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 terms of the Dye Cann II SPA are disclosed in the Company’s Current Report on Form 8-K filed on December 23, 2020. The Company and Dye Cann II entered into an amendment to the Dye Cann II SPA on December 16, 2020, as described in the Company’s Current Report on Form 8-K filed on December 23, 2020, a second amendment to the Dye Cann II SPA on February 3, 2021, as described in the Company’s Form 8-K filed on February 9, 2021, and a third amendment to the Dye Cann II SPA on March 30, 2021, as described under Item 9B of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. The Company issued and sold to Dye Cann II 7,700 shares of Preferred Stock on December 16, 2020, 1,450 shares of Preferred Stock on December 18, 2020, 1,300 shares of Series Preferred Stock on December 22, 2020, 3,100 shares of Preferred Stock on February 3, 2021, 3,800 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 as described in the Company's Current Report on Form 8-K filed on December 23, 2020. On February 26, 2021, Dye Capital elected to convert the \$5,000,000 principal amount and the \$60,250 of accrued but unpaid interest under the Convertible Promissory Note and Security Agreement under its terms and Dye Capital and the Company entered into a Conversion Notice and Agreement pursuant to which the Company issued 5,060 shares of Preferred Stock to Dye Capital and also paid Dye Capital \$230.97 in cash in lieu of issuing any fractional shares of Series Preferred Stock upon conversion, as described in the Company's Current Report on Form 8-K filed on March 4, 2021.

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

During the year ended December 31, 2020, the Company recorded expenses of \$66,264 with Tella Digital. As of December 31, 2021 the Company recorded expenses of \$214,908.26. Tella Digital provides on-premise digital experience solutions for our retail dispensary locations. Mr. Dye is an indirect part owner and serves as Chairman of Tella Digital. Nirup Krishnamurthy, the Company's Chief Operating Officer and one of its directors, is also an indirect part owner in Tella Digital.

#### *Transactions with CRW, Cozad Investments, L.P. and Affiliated Entities*

On February 26, 2021, the Company entered into a Securities Purchase Agreement (the "CRW SPA") with CRW pursuant to which the Company issued and sold 25,350 shares of 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 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 will pay CRW Capital, LLC, the sole manager of CRW and a holder of a carried interest in CRW, a monitoring fee equal to \$150,000 in monthly installments of \$12,500. On March 14, 2021, the Board appointed Jeffrey A. Cozad as a director to fill a vacancy on the Board. Mr. Cozad is a manager and owns 50% of CRW Capital, LLC, and he shares voting and disposition power over the shares of Preferred Stock held by CRW. Mr. Cozad and his family members indirectly own membership interests in CRW. The Company previously reported the terms of the CRW SPA and the CRW letter agreement in the Company's Current Report on Form 8-K filed March 4, 2021.

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 \$245,000 to Cozad Investments, L.P. and for \$250,000 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 a manager and majority owner of Cozad Investments, L.P. and a member of the Board.

#### *Transactions with 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. On December 7, 2021, the Company entered into a Securities Purchase Agreement with The Rubin Revocable Trust U/A/D 05/09/2011 pursuant to which the Company issued an Investor Note in the aggregate principal amount of \$98,000 to The Rubin Revocable Trust for \$100,000 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 a majority owner of The Rubin Revocable Trust and a beneficial owner of CRW.

### *Transactions with Entities Affiliated with Brian Ruden*

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

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

The aggregate purchase price for the Star Buds assets was \$118,000,000, paid as follows: (i) \$44,250,000 in cash at the applicable closings, (ii) \$44,250,000 in deferred cash, also referred to in this report as "seller note(s)," (iii) 29,500 shares of Preferred Stock, of which 25,075 shares were issued at the applicable closings and 4,425 shares are held in held in escrow and will be released post-closing to either Star Buds or the Company depending on post-closing adjustments to the purchase price. In addition, the Company issued warrants to purchase an aggregate of 5,531,250 shares of Common Stock to the sellers. As of September 30, 2021, the Company owed an aggregate principal amount of \$44,250,000 under the seller notes. The Company has not paid any principal and has paid an aggregate of \$3,010,887 of interest on the seller notes as of September 30, 2021. Mr. Ruden's interest in the aggregate purchase price for the Star Buds assets is as follows: (i) \$13,727,490 in cash at the applicable closings, (ii) \$13,727,490 in seller notes, (iii) 9,152 shares of Preferred Stock, of which 7,779 shares were issued at the applicable closings and 1,373 shares are held in held in escrow and will be released post-closing to either Mr. Ruden or the Company depending on post-closing adjustments to the purchase price. In addition, the Company issued warrants to purchase an aggregate of 1,715,936 shares of Common Stock to Mr. Ruden. The Company has paid Mr. Ruden an aggregate of \$1,341,738 in interest on his seller notes as of December 31, 2021.

Mr. Ruden was a part-owner of each of the Star Buds companies that sold assets to SBUD, LLC. Mr. Ruden owned 50% of Colorado Health Consultants LLC, 50% of Starbuds Aurora LLC, 50% of Starbuds Pueblo LLC, 50% of Starbuds Alameda LLC, 46% of SB Arapahoe LLC, 36% of Starbuds Commerce City LLC, 30% of Starbuds Louisville LLC, 25% of Starbuds Niwot LLC, 16.66% of Lucky Ticket LLC, 15% of KEW LLC, and 10% of LM MJC LLC.

In connection with acquiring the Star Buds assets for our Pueblo West, Niwot, Commerce City, Lakeside, Arapahoe and Aurora locations, SBUD LLC entered into a lease with each of 428 S. McCulloch LLC, Colorado Real Estate Holdings LLC, 5844 Ventures LLC, 5238 W 44<sup>th</sup> 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 lease 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 44<sup>th</sup> LLC is for the Company's Lakeside Star Buds location 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 44<sup>th</sup> 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. During 2020, SBUD LLC made aggregate rent payments of \$10,000. Between January 1, 2021 and December 31, 2021, SBUD LLC made aggregate rent payments of \$449,297. 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 of the Star Buds assets. SBUD LLC has no payment obligation under this agreement. Mr. Ruden is a part-owner of Star Brands LLC.

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

### *Transactions with Jeff 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 \$294,000 to Mr. Garwood for \$300,000 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.

### *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 \$196,000 to Mr. Mukharji for \$200,000 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.

## **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.

On June 3, 2017, the Company issued an aggregate of 7,000,000 shares of its Common Stock for 100% ownership of both Success Nutrients and Pono Publications. The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in \$6,301,080 of goodwill.

On July 21, 2017, the Company issued 2,258,065 shares of its Common Stock for 100% ownership of DCG. The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in \$3,003,226 of goodwill.

On September 17, 2018, we closed the acquisition of The Big Tomato. The Company issued an aggregate of 1,933,329 shares of its Common Stock for 100% ownership of Big Tomato. The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in the Company valuing the investment as \$3,000,000 of goodwill.

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

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

On July 21, 2021 the Company closed the acquisition of Southern Colorado Growers. The Company utilized purchase price accounting stating that net book value approximates fair market value of the assets acquired. The purchase price accounting resulted in \$1,810,323 of goodwill.

As of December 31, 2021, the Company had \$43,316,267 of goodwill, which consisted of \$6,301,080 from Success Nutrients and Pono Publications, \$3,003,226 from DCG, \$3,000,000 from The Big Tomato, \$2,147,613 from Mesa Organics, \$27,054,025 from Star Buds, \$1,810,323 from Southern Colorado Growers.

## 9. Business Combination

As of December 31, 2021, the Company had acquired cannabis brands and other assets of Star Buds and Southern Colorado Growers.

The Star Buds transaction was accounted for as a business combination in accordance with ASC 805, Business Combinations (“ASC 805”). In consideration of the sale and transfer of the acquired assets with Star Buds, the aggregate purchase price was \$118,000,000. The Company’s allocation of purchase price was calculated as follows.

Cash	\$	44,250,000
Seller notes		44,250,000
Preferred Stock		29,500,000
Total purchase price	\$	<u>118,000,000</u>

Description	Fair Value	Weighted average useful life (in years)
Assets acquired:		
Cash	\$ 9,600	
Inventory	4,352,419	
Fixed assets	118,479	
Intangible assets:		
Dispensary license	86,094,000	15
Customer relationships	4,095,000	5
Tradename	3,920,000	5
Non-compete	980,000	3
Goodwill	27,054,025	Indefinite
Total assets acquired	<u>\$ 126,623,524</u>	
Liabilities and Equity assumed:		
Accrued loyalty	\$ 2,180,104	
Warrants	6,443,421	
Total liabilities and equity assumed	<u>8,623,524</u>	
Estimated fair value of net assets acquired	<u>\$ 118,000,000</u>	

The Southern Colorado Growers transaction was accounted for as a business combination in accordance with ASC 805. In consideration of the sale and transfer of the acquired assets with SCG, the aggregate purchase price was \$11,225,000. The Company’s allocation of purchase price was calculated as follows.

Cash	\$	5,845,000
Common stock		5,380,000
Total purchase price	\$	<u>11,225,000</u>

Description	Fair Value	Weighted average useful life (in years)
Assets acquired:		
Inventory	604,677	
Fixed assets	2,990,000	
Intangible assets:		
Cultivation license	5,455,000	15
Customer relationships	290,000	5
Non-compete	75,000	3
Goodwill	1,810,323	Indefinite
Total assets acquired	<u>11,224,997</u>	
Estimated fair value of net assets acquired	<u>\$ 11,224,997</u>	

## 10. Inventory

As of December 31, 2021, and December 31, 2020, respectively, the Company had \$5,573,329 and \$2,090,886 of finished goods inventory. As of December 31, 2021, the Company had \$5,535,992 of work in process and \$12,676 of raw materials. As of December 31, 2020, the Company had \$500,917 of work in process and \$27,342 of raw materials. The Company uses the FIFO inventory valuation method. As of December 31, 2021 and December 31, 2020, the Company did not recognize any impairment for obsolescence within its inventory.

## 11. Debt

**Term Loan** — On February 26, 2021, the Company entered into a Loan Agreement with SHWZ Altmore, LLC, 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 December 31, 2021, the Company was in compliance with the requirements described above.

**Seller Notes** — As part of the acquisition of the Star Buds assets, the Company entered into a deferred payment arrangement with the sellers in an aggregate amount of \$44,250,000. The deferred payment arrangement incurs 12% interest per annum, payable on the 1<sup>st</sup> 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.

**Investor Notes** — On December 3, 2021, the Company and the Subsidiary Guarantors entered into a Securities 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 following tables sets forth our indebtedness as of December 31, 2021 and 2020, respectively, and future obligations:

	December 31, 2021	December 31, 2020
Term loan dated February 26, 2021, in the original amount of \$10,000,000. An additional \$5,000,000 was added on July 28, 2021. Interest of 15% per annum, due quarterly. Principal payments begin June 1, 2023.	\$ 15,000,000	\$ —
Seller notes dated December 17, 2020, February 3, 2021 and March 2, 2021, in the original amount of \$44,250,000. Interest of 12% per annum, due monthly. Principal payments begin December 17, 2025	44,250,000	13,901,759
Convertible notes 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.	95,000,000	
Less: unamortized debt issuance costs	(8,289,743)	—
Less: unamortized debt discount	(48,477,789)	—
Total long term debt	97,482,468	13,901,759
Long term debt and unamortized debt issuance costs	<u>\$ 97,482,468</u>	<u>\$ 13,901,759</u>



	Principal Payments	Unamortized Debt Issuance Costs	Unamortized Debt Discount	Total Long Term Debt
2022	\$ —	\$ 1,686,048	\$ 7,484,613	\$ (7,484,613)
2023	2,250,000	1,686,048	8,523,493	(6,273,493)
2024	3,000,000	1,686,048	9,734,935	(6,734,935)
2025	23,651,759	1,686,048	11,057,799	12,593,960
2026	125,348,241	1,545,551	11,676,949	113,671,292
Thereafter	—	—	—	—
Total	<u>\$ 154,250,000.00</u>	<u>\$ 8,289,743.00</u>	<u>\$ 48,477,789.00</u>	<u>\$ 105,772,211.00</u>

## 11. Leases

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

The Company's leases consist of real estate leases for office, 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 years. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

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

	Balance Sheet Line	December 31, 2021
<b>Asset</b>		
Operating lease right of use assets	Noncurrent assets	\$ 8,511,780
<b>Liabilities</b>		
Lease liabilities	Noncurrent liabilities	\$ 8,715,480

### Maturities of Lease Liabilities

Maturities of lease liabilities as of December 31, 2021 are as follows:

2021 fiscal year	\$ 25,603,348
Less: Interest	440,864
Present value of lease liabilities	<u>\$ 25,162,484</u>

The following table presents the Company's future minimum lease obligation under ASC 842 as of December 31, 2021:

2022 fiscal year	\$ 2,136,040
2023 fiscal year	9,156,402
2024 fiscal year	1,385,619
2025 fiscal year	1,258,029
2026 fiscal year	5,414,724
	<u>\$ 19,350,814</u>

## 12. Commitments and Contingencies

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

### Definitive Agreement to Acquire the Colorado-Based MCG, LLC

On November 15, 2021, the Company entered into the MCG Merger Agreement and the Company acquired MCG on February 9, 2022. The aggregate closing consideration for the merger was \$29 million, consisting of: (i) \$16,008,000 in cash; (ii) 6,547,239 shares of Common Stock issued to the members of MCG at a price of \$1.63 per share; and (iii) an aggregate of \$2,320,000 was held back as collateral for potential claims for indemnification under the MCG Merger Agreement as follows: (y) \$1,392,000 in cash and (z) 569,325 shares of Common Stock. The escrowed portion of the purchase price will be released 50% on February 9, 2023 (with such amount being paid from the escrowed cash first) and 50% on August 9, 2023. MCG operates two retail marijuana dispensaries located in Manitou Springs, Colorado and Glendale, Colorado.

### Definitive Agreement to Acquire the New Mexico-Based Reynold Greenleaf & Associates, LLC

On November 29, 2021, the Company entered into the Nuevo Purchase Agreement and the company acquired the New Mexico business on February 8, 2022. The aggregate closing consideration for the acquisitions was approximately (i) \$27.7 million in cash, and (ii) \$17.0 million in the form of an unsecured promissory note issued by Nuevo Holding, LLC 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 Purchasers may be required to make a potential “earn-out” payment of up to \$4.5 million in cash to RGA and William N. Ford (as Representative) based on the EBITDA of the acquired business for calendar year 2021.

### Definitive Agreement to Acquire the Colorado-Based Brow 2, LLC

On August 20, 2021, the Company entered into the Brow Purchase Agreement and the Company acquired substantially all of the operating assets of Brow 2 LLC on February 15, 2022. 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 Purchase Agreement.

## 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. 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 82,594 shares of Preferred Stock issued and outstanding and 4,400 in escrow as of December 31, 2021 and 18,327 shares of Preferred Stock issued and outstanding and 1,389 in escrow as of December 31, 2020. 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. Accumulated preferred dividends were \$7,346,153 and \$0 as of December 31, 2021 and December 31, 2020, respectively.

### Common Stock

The Company is authorized to issue 250,000,000 shares of Common Stock at a par value of \$0.001. The Company had 45,484,314 shares of Common Stock issued, and 44,745,870 shares of Common Stock outstanding, 517,044 of treasury stock and 221,400 of stock in escrow as of December 31, 2021, and 42,601,773 shares of Common Stock issued, and 42,169,041 shares of Common Stock outstanding and 432,732 of treasury stock as of December 31, 2020.

### Common Stock Issued in Private Placements

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

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

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

For the year ended December 31, 2020, the Company issued 406,895 shares of Common Stock valued at \$497,302 to employees, officers, and directors as compensation.

For the year ended December 31, 2021, the Company issued 323,530 shares of Common Stock valued at \$637,233 to employees, and directors as compensation.

### Common and Preferred Stock Issued as Payment for Acquisitions

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

On December 17, 2020, the Company issued 2,862 shares of Preferred Stock valued at \$2,861,994 of which 430 shares of Preferred Stock valued at \$387,000 were placed in escrow, and on December 18, 2020, the Company issued 6,404 shares of Preferred Stock valued at \$6,403,987 of which 959 shares of Preferred Stock valued at \$863,100 were placed in escrow, for the acquisition of Star Buds assets.

On February 3, 2021, the Company issued 2,319 shares of Preferred Stock valued at \$2,318,998 of which 349 shares of Preferred Stock valued at \$314,100 were placed in escrow and on March 3, 2021, the Company issued 17,921 shares of Preferred Stock valued at \$17,920,982 of which 2,690 shares of Preferred Stock valued at \$2,421,000 were placed in escrow for the acquisition of Star Buds assets.

On July 21, 2021, the Company issued 2,213,994 shares of Common Stock valued at \$5,377,786 of which 221,400 shares valued at \$537,779 were placed in escrow for the acquisition of Southern Colorado Growers.

On December 21, 2021, the Company issued 100,000 shares of Common Stock valued at \$197,000 for the acquisition of Smoking Gun Apothecary.

### Warrants

The Company accounts for Common Stock purchase warrants in accordance with ASC 480, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, Distinguishing Liabilities from Equity*. The Company estimates the fair value of warrants at date of grant using the Black-Scholes option pricing model. There is a moderate degree of subjectivity involved when using option pricing models to estimate the warrants, and the assumptions used in the Black Scholes option-pricing model are moderately judgmental.

During the year ended December 31, 2020, the Company issued 187,500 Common Stock purchase warrants to an accredited investor with an exercise price of \$3.50 per share with an expiration date of three years from the date of issuance. The Company also issued 1,737,719 Common Stock purchase warrants as purchase consideration for the acquisition of Star Buds assets by SBUD LLC. These warrants have an exercise price of \$1.20 per share and expiration date of 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 \$3.50 or \$1.20, respectively, (ii) the contractual term of the warrant of three or five years, respectively, (iii) a risk-free interest rate ranging between 0.21% - 0.38% and (iv) an expected volatility of the price of the underlying Common Stock ranging between 173.07% - 187.52%

For the year ended December 31, 2021, the Company issued warrants to purchase an aggregate of 3,793,530 shares of Common Stock as purchase consideration for the acquisition of certain Star Buds assets. These warrants have an exercise price of \$1.20 per share and expiration dates five years from the date of issuance. In addition, the Company issued a warrant to purchase an aggregate of 1,500,000 shares of Common Stock to an accredited investor in connection with entering into a loan agreement. This warrant has an exercise price of \$2.50 per share and expires five years from the date of issuance. The Company estimated the fair value of these warrants at date of grant using the Black-Scholes option pricing model using the following inputs: (i) stock price on the date of grant of \$1.20 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%.

The following table reflects the change in Common Stock purchase warrants for the year ended December 31, 2021:

	<b>Number of shares</b>
Balance as of January 1, 2021	11,725,220
Warrants exercised	—
Warrants forfeited	—
Warrants issued	5,293,530
Balance as of December 31, 2021	<u>17,018,750</u>

#### Option Repricing

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

#### Conversion of Preferred Stock to Common Stock

On December 20, 2021, a holder of Preferred Stock converted 272 shares of Preferred Stock into 245,017 of Common Stock.

#### 14. Tax Provision

As the Company operates in the cannabis industry, it 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 following table sets forth the components of income tax (benefit) expense for the years ended December 31, 2021 and 2020:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current:</b>		
Federal	\$ 4,284,163	\$ —
State	112,001	—
<b>Total current tax expense (benefit)</b>	<u>\$ 4,396,164</u>	<u>\$ —</u>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Deferred:</b>		
Federal	\$ —	\$ (796,353)
State	—	(102,756)
<b>Total deferred tax expense (benefit)</b>	<u>\$ —</u>	<u>\$ (899,109)</u>

The following table sets forth a reconciliation of income tax expense (benefit) at the federal statutory rate to recorded income tax expense (benefit) for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Federal taxes at U.S. statutory rate	21.0%	21.0%
State income taxes	5.5%	2.3%
Expenses disallowed under IRC Section 280E	104.7%	-1.4%
Stock-based compensation	10.8%	-1.2%
Other permanent differences	0.5%	-0.8%
Change in valuation allowance	-96.5%	-14.0%
Change in state rate	-3.4%	-1.7%
Return to provision	7.8%	-2.7%
Deferred tax true-up	31.6%	2.9%
Effective tax rate	82.0%	4.4%

The following tables set forth the components of deferred income taxes as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
<b>Deferred tax assets:</b>		
Bad debt allowance	\$ 94,620	\$ 69,132
Accrued expenses	9,099	197,958
Share based compensation accruals	2,518,158	3,505,290
Net operating loss carryforwards	64,858	4,357,600
Capitalized transaction costs	662,861	222,360
Unrealized losses	—	248,354
Other carryforwards	84,325	13,357
Operating leases	861,683	240,278
Loyalty points	363,171	—
Gross deferred tax assets	4,658,775	8,854,329
Valuation allowance	(2,062,697)	(7,233,123)
<b>Net deferred tax assets</b>	<b>2,596,078</b>	<b>1,621,206</b>
<b>Deferred tax liabilities:</b>		
Fixed assets	63,301	269,443
Goodwill and intangible assets	1,568,542	1,116,546
Operating leases	850,793	232,725
Unrealized gains	55,576	2,492
Cash-to-accrual	57,866	—
<b>Net deferred tax liabilities</b>	<b>2,596,078</b>	<b>1,621,206</b>
<b>Total net deferred tax assets</b>	<b>\$ —</b>	<b>\$ —</b>

As of December 31, 2021, the Company has gross Colorado net operating losses of approximately \$1.9 million, which begins to expire in 2040. Federal and State tax laws impose significant restrictions on the utilization of net operating loss carryforwards in the event of a change in ownership of the Company, as defined by IRC Section 382. The Company does not expect any Section 382 annual limitation to impact future utilization of the \$1.9 million of gross state net operating losses.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's valuation allowance represents the amount of tax benefits that are likely to not be realized. The net change in the valuation allowance from December 31, 2020 was \$5,170,426.

As of December 31, 2021 and 2020, the Company had no unrecognized tax benefits. The Company does not anticipate any significant unrecognized tax benefits to arise within the next twelve months. The Company did not recognize any significant interest expense or penalties on income tax assessments during 2021 or 2020 and there was no interest or penalties related to income tax assessments accrued as of December 31, 2021 or 2020.

The Company files income tax returns in the United States and Colorado. The federal statute of limitation remains open for the 2018 tax year to present. The Colorado statute of limitation remain open through the 2018 tax year through present.

## 15. Segment Information

The Company has three identifiable segments as of December 31, 2021; (i) retail, (ii) wholesale and (iii) and other. The retail segment represents our dispensaries which sell merchandise directly to customers via retail locations and e-commerce portals. The wholesale segment represents our manufacturing, 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 licensing and consulting agreements with cannabis related entities, in addition to fees from seminars and expense reimbursements included in other revenue on the Company's financial statements.

The following information represents segment activity for the periods ended December 31, 2021 and December 31, 2020:

	For The Twelve Months Ended 31-December-2021				For The Twelve Months Ended 31-December-2020			
	Retail	Wholesale	Other	Total	Retail	Wholesale	Other	Total
Revenues	\$ 73,723,654	\$ 34,471,447	\$ 225,138	\$ 108,420,239	\$ 3,858,613	\$ 18,647,780	\$ 1,494,459	\$ 24,000,852
Cost of goods and services	(34,969,178)	(23,817,145)	(280,222)	(59,066,545)	(2,595,837)	(13,763,174)	(867,475)	(17,226,486)
Gross profit	38,754,476	10,654,302	(55,084)	49,353,694	1,262,776	4,884,606	626,983	6,774,365
Intangible assets amortization	6,876,325	575,384	585	7,452,294	—	180,106	538	180,644
Depreciation	163,217	323,862	637,492	1,124,571	740	75,571	219,636	295,947
Net income (loss)	22,568,259	8,906,535	(16,955,664)	14,519,130	156,180	3,045,577	(22,618,518)	(19,416,761)
Segment assets	129,715,949	48,218,292	107,096,552	285,030,793	43,577,869	18,113,712	8,991,020	70,682,601

Segment assets from Other mainly related to cash from the Investor Notes.

## 16. 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. These potential dilutive shares include 7,460,750 vested stock options, 17,018,750 stock purchase warrants, and 86,994 shares of Preferred Stock. 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 years ended December 31, 2021 and 2020.

	2021	2020
<b>Numerator:</b>		
Net income (loss)	\$ 14,519,130	\$ (19,416,761)
Less: Accumulated preferred stock dividends for the period	(7,346,153)	–
Net income (loss) attributable to common stockholders – Basic	<u>\$ 7,172,977</u>	<u>\$ (19,416,761)</u>
<b>Denominator:</b>		
Weighted-average shares of common stock	43,339,092	41,217,026
Basic earnings per share	<u>\$ 0.17</u>	<u>\$ (0.47)</u>
<b>Numerator:</b>		
Net income (loss) attributable to common stockholders – Basic	\$ 7,172,977	\$ (19,416,761)
Add: Investor note accrued interest at 12/31/2021	789,028	–
Add: Investor note amortized debt discount at 12/31/2021	458,885	–
Less: Gain on derivative liability related to investor note	(14,013,661)	–
Net loss attributable to common stockholders – Dilutive	<u>\$ (5,592,771)</u>	<u>\$ (19,416,761)</u>
<b>Denominator</b>		
Weighted-average shares of common stock	43,339,092	41,217,026
Dilutive effect of investor notes	51,748,797	–
Dilutive effect of warrants	2,581,250	–
Dilutive effect of options	3,699,819	–
Dilutive weighted-average shares of common stock	<u>101,368,958</u>	<u>41,217,026</u>
Dilutive earnings per share	<u>\$ (0.06)</u>	<u>\$ (0.47)</u>

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 loss per share calculation, shares of Preferred Stock are excluded from the calculation as of December 31, 2021, as the inclusion of the common share equivalents would be anti-dilutive. As the Company incurred a loss from operations in 2020, shares of Common Stock issuable pursuant to the equity awards were excluded from the computation of diluted net loss per share in the accompanying consolidated statement of operations, as their effect is anti-dilutive.

#### 17. Subsequent events

In accordance with FASB ASC 855-10, Subsequent Events, the Company has analyzed its operations subsequent to December 31, 2021 to the date these consolidated financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these consolidated financial statements, except as follows:

On January 26, 2022, the Company acquired the assets of Drift, and Black Box Licensing, LLC pursuant to an Asset Purchase Agreement entered into on June 25, 2021 with Double BrowDrift, Black Box Licensing, LLC and Brian Searchinger, the sole equity holder of Drift and an equityholder of Black Box Licensing, LLC, as amended on October 28, 2021. The acquired assets include (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 dispensary retail stores located in Boulder, Colorado. The aggregate closing consideration for the acquisition was (i) \$1,915,750 in cash, and (ii) 912,666 shares of Common Stock issued to Drift. The Company may be required to issue up to 154,000 additional shares of Common Stock as consideration, which the Company is holding back as collateral for indemnification claims pursuant to the Asset Purchase Agreement. Any portion of the held-back stock consideration not used to satisfy indemnification claims will be released as follows: (i) 50% of the held-back stock consideration will be released on June 30, 2022; and (ii) 50% of the held-back stock consideration will be released on December 31, 2022.

On February 9, 2022, the Company acquired MCG pursuant to the terms of the MCG Merger Agreement. Under the agreement, Emerald Fields Merger Sub, LLC merged with and into MCG, with Emerald Fields Merger Sub, LLC continuing as the surviving entity. The aggregate closing consideration for the merger was \$29 million, consisting of: (i) \$16,008,000 in cash; (ii) 6,547,239 shares of the Common Stock issued to the members of MCG at a price of \$1.63 per share; and (iii) an aggregate of \$2,320,000 was held back as collateral for potential claims for indemnification under the MCG Merger Agreement as follows: (y) \$1,392,000 in cash and (z) 569,325 shares of Common Stock. The escrowed portion of the purchase price will be released 50% on February 9, 2023 (with such amount being paid from the escrowed cash first) and 50% on August 9, 2023. MCG operates two retail marijuana dispensaries located in Manitou Springs, Colorado and Glendale, Colorado.

On February 8, 2022, the Company acquired its New Mexico business under the terms of the Nuevo Purchase Agreement. The Nuevo Purchasers acquired substantially all of 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 are held by two not-for-profit entities: Medzen and Greenleaf. At the closing, Nuevo Holding, LLC gained control over the NFPs by becoming the sole member of each of the NFPs and replacing the directors of the two NFPs with Justin Dye, the Company's Chief Executive Officer and one of its directors, Nancy Huber, the Company's Chief Financial Officer, and Dan Pabon, the Company's General Counsel, Chief Government Affairs Officer and Corporate Secretary. The business acquired from RGA consists of serving as a branding, marketing and consulting company, licensing certain intellectual property related to the business of THC-based products to Elemental and the NFPs, providing consulting services to Elemental and the NFPs, 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, with 10 dispensaries, four cultivation facilities (three operating and one under development) and one manufacturing facility. The dispensaries are located in Albuquerque, Santa Fe, Roswell, Las Cruces, Grants and Las Vegas, New Mexico. The cultivation and manufacturing facilities are located in Albuquerque, New Mexico and consists of approximately 70,000 square feet of cultivation and 6,000 square feet of manufacturing. On the same date, Nuevo Holding, LLC entered into two separate Call Option Agreements containing substantially identical terms with each of the NFPs. Each Call Option Agreement gives Nuevo Holding, LLC 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) \$27.7 million in cash, and (ii) \$17.0 million in the form of an unsecured promissory note issued by Nuevo Holding, LLC 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 Purchasers may be required to make a potential "earn-out" payment of up to \$4.5 million in cash to RGA and William N. Ford (as Representative) based on the EBITDA of the acquired business for calendar year 2021.

On February 15, 2022, Double Brow, a wholly-owned subsidiary of the Company, acquired substantially all of the operating assets of Brow 2, LLC related to its indoor cannabis cultivation operations located in Denver, Colorado (other than assets expressly excluded) under the terms of 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 Purchase Agreement. Any of the purchase price held back and not used to satisfy indemnification claims will be released on February 15, 2023 plus 3% simple interest.

On March 11, 2022, the Company entered into the Urban Dispensary Purchase Agreement with Double Brow, Urban Dispensary, Productive Investments, and the Urban Equityholders, pursuant to which the Purchaser will purchase (i) all of Urban Dispensary's assets used or held for use in Urban Dispensary's business of owning and operating a retail marijuana store and a grow facility, each located in Denver, Colorado, and (ii) all of Urban Equityholders' personal goodwill arising from the Urban Equityholders' independent, separate, individual and personal efforts relating to Urban Dispensary's business on the terms and subject to the conditions set forth in the Urban Dispensary Purchase Agreement, and assume obligations under contracts acquired as part of the Urban Dispensary Purchase. The aggregate consideration for the Urban Dispensary Purchase will be up to \$1,317,500 million in cash and shares of Common Stock in an amount equal to \$1,900,000 divided by the price per share of the Common Stock as of market close on the first trading day immediately before the closing. The Company deposited \$30,000 of the cash portion of the purchase price as an earnest money deposit with Urban Dispensary. At the closing, (i) the Company will use the cash portion of the purchase price to pay off certain indebtedness and transaction expenses of Urban Dispensary and then pay the balance to Urban Dispensary, and (ii) the Company will issue the stock portion of the purchase price directly to the Urban Equityholders. The stock consideration is subject to post-closing reduction if any of the actual marijuana product inventory, marijuana plant inventory or cash at closing is less than certain targets stated in the Purchase Agreement. The Company will hold back \$288,000 of the stock consideration at closing as collateral for potential claims for indemnification from Urban Dispensary under the Urban Dispensary Purchase Agreement. Any portion of the held back cash consideration not used to satisfy indemnification claims will be released to Urban Dispensary on the 18-month anniversary of the closing date of the Urban Dispensary Purchase.



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

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**DISCLOSURE CONTROLS AND PROCEDURES**

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

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

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2021, at the reasonable assurance level.

Inherent Limitations – Management, including our Chief Financial Officer and Chief Executive Officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

**MANAGEMENT ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the 2013 Treadway Commission (COSO).

Based on this assessment, management concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There were no changes in our internal control over financial reporting during our fiscal fourth quarter ended December 31, 2021, which were identified in conjunction with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

#### **ITEM 9B. OTHER INFORMATION.**

None.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

None.

### **PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by this item is incorporated by reference to our proxy statement for our 2022 Annual Meeting of Stockholders.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required by this item is incorporated by reference to our proxy statement for our 2022 Annual Meeting of Stockholders.

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

The information required by this item is incorporated by reference to our proxy statement for our 2022 Annual Meeting of Stockholders.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.**

The information required by this item is incorporated by reference to our proxy statement for our 2022 Annual Meeting of Stockholders.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required by this item is incorporated by reference to our proxy statement for our 2022 Annual Meeting of Stockholders.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following exhibits are included herewith:

Exhibit No.	Description
2.1	<a href="#"><u>Merger Agreement dated November 23, 2019, by and among Medicine Man Technologies, Inc., PBS Merger Sub, LLC, Mesa Organics Ltd., James Parco, and Pamela Parco (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed November 29, 2019 (Commission File No. 001-55450))</u></a>
2.2	<a href="#"><u>First Amendment dated April 16, 2020 to Merger Agreement dated November 23, 2019, by and among Medicine Man Technologies, Inc., PBS Merger Sub, LLC, Mesa Organics Ltd., James Parco, and Pamela Parco (Incorporated by reference to Exhibit 2.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed April 24, 2020 (Commission File No. 001-55450))</u></a>
2.3	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Colorado Health Consultants, LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.4	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Citi-Med LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.5	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Lucky Ticket LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.6	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Kew LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.7	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and SB Aurora LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.5 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.8	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and SB Arapahoe LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.6 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.9	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and SB 44th LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.7 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.10	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Starbuds Pueblo LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.8 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.11	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Starbuds Louisville LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.9 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.12	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Starbuds Niwot LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.10 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.13	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Alameda LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.11 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.14	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Starbuds Longmont LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.12 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.15	<a href="#"><u>Asset Purchase Agreement entered into by and among Medicine Man Technologies, Inc., SBUD LLC, and Starbuds Commerce City LLC, dated June 5, 2020 (Incorporated by reference to Exhibit 2.13 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 8, 2020 (Commission File No. 001-55450))</u></a>
2.16	<a href="#"><u>Omnibus Amendment No. 1 dated September 15, 2020 to Asset Purchase Agreements dated June 5, 2020 (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed September 21, 2020 (Commission File No. 001-355450))</u></a>

Exhibit No.	Description
2.17	<a href="#"><u>Omnibus Amendment No. 2 to Asset Purchase Agreement, dated as of December 17, 2020, by and among SBUD LLC, Medicine Man Technologies, Inc., and each signatory thereto designated as a seller (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 23, 2020 (Commission File No. 001-55450))</u></a>
2.18+	<a href="#"><u>Asset Purchase Agreement, dated May 27, 2021, by and among SCG Holding, LLC, Medicine Man Technologies, Inc., SCG Services, LLC, and John Sakun and Vladimir Sakun (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 2, 2021 (Commission File No. 000-55450))</u></a>
2.19+	<a href="#"><u>Agreement of Purchase and Sale, dated May 27, 2021, by and between SCG Holding, LLC and BWR L.L.C. (Incorporated by reference to Exhibit 2.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 2, 2021 (Commission File No. 000-55450))</u></a>
2.20+	<a href="#"><u>Asset Purchase Agreement, dated June 25, 2021, by and among Double Brow, LLC, Medicine Man Technologies, Inc., BG3 Investments, LLC, Black Box Licensing, LLC, and Brian Searchinger (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed July 1, 2021 (Commission File No. 000-55450))</u></a>
2.21	<a href="#"><u>Amendment No. 1 to Asset Purchase Agreement, dated October 28, 2021, by and among Double Brow, LLC, Medicine Man Technologies, Inc., BG3 Investments, LLC, Black Box Licensing, LLC, and Brian Searchinger (Incorporated by reference to Exhibit 99.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed January 31, 2022 (Commission File No. 000-55450))</u></a>
2.22+	<a href="#"><u>Asset Purchase Agreement, dated August 20, 2021, by and among Double Brow, LLC, Brow 2, LLC and Brian Welsh (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed August 26, 2021 (Commission File No. 000-55450))</u></a>
2.23	<a href="#"><u>Agreement and Plan of Merger, dated November 15, 2021, by and among Medicine Man Technologies, Inc., Emerald Fields Merger Sub, LLC, MCG, LLC, the Members of MCG, LLC, and Donald Douglas Burkhalter and James Gulbrandsen as Member Representatives, (Incorporated by reference to Exhibit 2.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed November 16, 2021 (Commission File No. 000-55450))</u></a>
2.24	<a href="#"><u>Amendment No. 1 to Agreement and Plan of Merger, dated February 9, 2022, by and among Medicine Man Technologies, Inc., Emerald Fields Merger Sub, LLC, MCG, LLC, the Members of MCG, LLC, and Donald Douglas Burkhalter and James Gulbrandsen as Member Representatives (Incorporated by reference to Exhibit 2.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 15, 2022 (Commission File No. 000-55450))</u></a>
2.25	<a href="#"><u>Contract to Buy and Sell Real Estate (Commercial), dated January 26, 2022, by and between Emerald Fields Merger Sub, LLC and Manitou Springs Real Estate Development, LLC (Incorporated by reference to Exhibit 2.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 15, 2022 (Commission File No. 000-55450))</u></a>
2.26	<a href="#"><u>Rider to Contract to Buy and Sell Real Estate by and between Emerald Fields Merger Sub, LLC and Manitou Springs Real Estate Development, LLC (Incorporated by reference to Exhibit 2.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 15, 2022 (Commission File No. 000-55450))</u></a>
2.27	<a href="#"><u>Amendment to Rider to Contract to Buy and Sell Real Estate by and between Emerald Fields Merger Sub, LLC and Manitou Springs Real Estate Development, LLC (Incorporated by reference to Exhibit 2.5 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 15, 2022 (Commission File No. 000-55450))</u></a>
2.28	<a href="#"><u>Second Amendment to Rider to Contract to Buy and Sell Real Estate by and between Emerald Fields Merger Sub, LLC and Manitou Springs Real Estate Development, LLC (Incorporated by reference to Exhibit 2.6 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 15, 2022 (Commission File No. 000-55450))</u></a>
2.29**	<a href="#"><u>Asset Purchase Agreement, dated November 13, 2021, by and among Double Brow, LLC, Smoking Gun, LLC, Smoking Gun Land Company, LLC, and the Members defined therein</u></a>
2.30	<a href="#"><u>Purchase Agreement, dated November 29, 2021, by and among Medicine Man Technologies, Inc., Nuevo Holding, LLC, Nuevo Elemental Holding, LLC, Reynold Greenleaf &amp; Associates, LLC, William N. Ford, Elemental Kitchen and Labs, LLC 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 December 3, 2021 (Commission File No. 000-55450))</u></a>
2.31 +	<a href="#"><u>Modification Agreement, dated February 8, 2022, by and among Medicine Man Technologies, Inc., Nuevo Holding, LLC, Nuevo Elemental Holding, LLC and William N. Ford in his capacity as Representative under the Purchase Agreement, dated November 29, 2021 (Incorporated by reference to Exhibit 2.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 14, 2022 (Commission File No. 000-55450))</u></a>
2.32	<a href="#"><u>Call Option Agreement, dated February 8, 2022, by and between Nuevo Holding, LLC and R. Greenleaf Organics, Inc. (Incorporated by reference to Exhibit 2.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 14, 2022 (Commission File No. 000-55450))</u></a>

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#"><u>Articles of Incorporation of Medicine Man Technologies filed with the Secretary of State of Nevada on March 20, 2014 (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Registration Statement on Form S-1 filed April 14, 2015 (Commission File No. 333-203424))</u></a>
3.2	<a href="#"><u>Certificate of Amendment to Articles of Incorporation filed with the Secretary of State of Nevada on August 25, 2014 (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Registration Statement on Form S-1 filed April 14, 2015 (Commission File No. 333-203424))</u></a>
3.3	<a href="#"><u>Certificate of Amendment to Articles of Incorporation filed with the Secretary of State of Nevada on December 13, 2019 (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 16, 2019 (Commission File No. 001-55450))</u></a>
3.4	<a href="#"><u>Certificate of Designation of Series A Cumulative Convertible Preferred Stock filed with the Secretary of State of Nevada on December 16, 2020 (Incorporated by reference to Exhibit 3.4 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
3.5	<a href="#"><u>Certificate of Amendment to Designation of Series A Cumulative Convertible Preferred Stock filed with the Secretary of State of Nevada on March 1, 2021 (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 001-55450))</u></a>
3.6	<a href="#"><u>Complete Articles of Incorporation together with all Certificates of Amendment and the Certificate of Designation of Series A Cumulative Convertible Preferred Stock, as amended (Incorporated by reference to Exhibit 3.6 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
3.7	<a href="#"><u>Certificate of Amendment to Designation, dated March 1, 2021 (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
3.8	<a href="#"><u>Amended and Restated Bylaws of Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 11, 2019 (Commission File No. 001-55450))</u></a>
4.1**	<a href="#"><u>Description of Capital Stock of Medicine Man Technologies, Inc.</u></a>
4.2*	<a href="#"><u>Medicine Man Technologies, Inc. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to Medicine Man Technologies, Inc.'s Registration Statement on Form S-8 filed June 12, 2017 (Commission File No. 333-218662))</u></a>

Exhibit No.	Description
4.3*	<a href="#"><u>Amendment to Medicine Man Technologies, Inc. 2017 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 16, 2019 (Commission File No. 001-55450))</u></a>
4.4*	<a href="#"><u>Amendment to Medicine Man Technologies, Inc. 2017 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 16, 2020 (Commission File No. 001-55450))</u></a>
4.5	<a href="#"><u>Form of Warrant to Purchase Common Stock of Medicine Man Technologies, Inc.(Incorporated by reference to Exhibit 4.5 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
4.6	<a href="#"><u>Warrant to Purchase Common Stock of Medicine Man Technologies, Inc.(Incorporated by reference to Exhibit 4.6 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
4.7	<a href="#"><u>Convertible Note and Security Agreement, dated December 16, 2020, issued to Dye Capital &amp; Company, LLC (Incorporated by reference to Exhibit 4.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 23, 2020 (Commission File No. 001-55450))</u></a>
4.8**	<a href="#"><u>Form of Warrant to Purchase Common Stock of Medicine Man Technologies, Inc. issued to Star Buds Sellers and Members</u></a>
4.9	<a href="#"><u>Warrant to Purchase Common Stock, dated February 26, 2021, issued by Medicine Man Technologies, Inc. to SHWZ Altmore, LLC (Incorporated by reference to Exhibit 4.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
4.10	<a href="#"><u>Indenture, dated December 7, 2021, among Medicine Man Technologies, Inc., the Subsidiary Guarantors, Chicago Atlantic Admin, LLC, in its capacity as collateral agent, and Ankura Trust Company, LLC, as Trustee (Incorporated by reference to Exhibit 4.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 9, 2021 (Commission File No. 000-55450))</u></a>
4.11	<a href="#"><u>Form of 13% Senior Secured Convertible Note Due December 7, 2026 issued by Medicine Man Technologies, Inc. to each Investor thereto (Incorporated by reference to Exhibit 4.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 9, 2021 (Commission File No. 000-55450))</u></a>
4.12 ++	<a href="#"><u>Security Agreement, dated December 7, 2021, entered into by Medicine Man Technologies, Inc. and the Subsidiary Guarantors party thereto, in favor of Chicago Atlantic Admin, LLC, in its capacity as the collateral agent (Incorporated by reference to Exhibit 10.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 9, 2021 (Commission File No. 000-55450))</u></a>
4.13 ++	<a href="#"><u>Intercreditor Agreement, dated December 7, 2021, entered into among Medicine Man Technologies, Inc., the Subsidiary Guarantors, Chicago Atlantic Admin, LLC, as collateral agent for the Convertible Notes Secured Parties, GGG Partners LLC, as collateral agent for the Credit Agreement Secured Parties, Naser Joudeh, as collateral agent for the StarBuds Seller Secured Parties, Colorado Health Consultants LLC, StarBuds Aurora LLC, SB Arapahoe LLC, StarBuds Commerce City LLC, StarBuds Pueblo LLC, StarBuds Alameda LLC, Citi-Med LLC, StarBuds Louisville, LLC, Kew LLC, Lucky Ticket LLC, StarBuds Niwot LLC, LM MJC LLC, and Mountain View 44th LLC (Incorporated by reference to Exhibit 10.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 9, 2021 (Commission File No. 000-55450))</u></a>
4.14	<a href="#"><u>Note Guarantee, dated December 7, 2021, entered into by each Subsidiary Guarantor (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 9, 2021 (Commission File No. 000-55450))</u></a>
4.15	<a href="#"><u>Security Agreement, dated December 17, 2020, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Starbuds Alameda LLC, as secured party (Incorporated by reference to Exhibit 4.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.16	<a href="#"><u>Security Agreement, dated December 17, 2020, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Starbuds Pueblo LLC, as secured party (Incorporated by reference to Exhibit 4.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.17	<a href="#"><u>Security Agreement, dated December 18, 2020, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and LM MJC LLC, as secured party (Incorporated by reference to Exhibit 4.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.18	<a href="#"><u>Security Agreement, dated December 18, 2020, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Lucky Ticket LLC, as secured party (Incorporated by reference to Exhibit 4.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.19	<a href="#"><u>Security Agreement, dated December 18, 2020, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Starbuds Commerce City, as secured party (Incorporated by reference to Exhibit 4.5 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.20	<a href="#"><u>Security Agreement, dated December 18, 2020, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Starbuds Niwot LLC, as secured party (Incorporated by reference to Exhibit 4.6 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.21	<a href="#"><u>Security Agreement, dated February 4, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Colorado Health Consultants, LLC, as secured party (Incorporated by reference to Exhibit 4.7 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.22	<a href="#"><u>Security Agreement, dated February 4, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Mountain View 44th LLC, as secured party (Incorporated by reference to Exhibit 4.8 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>

Exhibit No.	Description
4.23	<a href="#"><u>Security Agreement, dated March 2, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Citi-Med LLC, as secured party (Incorporated by reference to Exhibit 4.9 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.24	<a href="#"><u>Security Agreement, dated March 2, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and KEW LLC, as secured party (Incorporated by reference to Exhibit 4.10 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.25	<a href="#"><u>Security Agreement, dated March 2, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and SB Arapahoe LLC, as secured party (Incorporated by reference to Exhibit 4.11 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.26	<a href="#"><u>Security Agreement, dated March 2, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Starbuds Aurora LLC, as secured party (Incorporated by reference to Exhibit 4.12 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.27	<a href="#"><u>Security Agreement, dated March 2, 2021, among SBUD LLC and Medicine Man Technologies, Inc., as grantors, and Starbuds Louisville LLC, as secured party (Incorporated by reference to Exhibit 4.13 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 29, 2021 (Commission File No. 000-55450))</u></a>
4.28	<a href="#"><u>Loan Agreement, dated February 26, 2021, among Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd, SCG Holding, LLC and PBS Holdco LLC, as borrowers, SHWZ Altmore, LLC, as lender, and GGG Partners LLC, as collateral agent (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
4.29	<a href="#"><u>Promissory Note, dated February 26, 2021, issued by Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd, SCG Holding, LLC and PBS Holdco LLC, as borrowers, to SHWZ Altmore, LLC, as lender (Incorporated by reference to Exhibit 10.5 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
4.30	<a href="#"><u>Security Agreement, dated February 26, 2021, between Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd, SCG Holding, LLC and PBS Holdco LLC, as grantors, and GGG Partners LLC, as collateral agent (Incorporated by reference to Exhibit 10.6 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
4.31	<a href="#"><u>Parent Guaranty, dated February 26, 2021, between Medicine Man Technologies, Inc. as guarantor, and GGG Partners LLC, as collateral agent (Incorporated by reference to Exhibit 10.7 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
4.32	<a href="#"><u>First Amendment to Loan Agreement, dated July 28 2021, by and among Mesa Organics Ltd., SHWZ Altmore, LLC and GGG Partners, LLC (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed August 3, 2021 (Commission File No. 000-55450))</u></a>
4.33 **	<a href="#"><u>Promissory Note, dated February 8, 2022, issued by Nuevo Holding, LLC to Reynold Greenleaf &amp; Associated, LLC</u></a>
10.1	<a href="#"><u>Technology License Agreement effective as of May 1, 2014 between Medicine Man Production Corporation and Medicine Man Technologies Inc. (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Registration Statement on Form S-1 filed April 14, 2015 (Commission File No. 333-203424))</u></a>
10.2	<a href="#"><u>Form of Medicine Man Technologies License Agreement by and between Medicine Man Technologies, Inc. and the Licensees identified therein (Incorporated by reference to Exhibit 10.3 to Medicine Man Technologies, Inc.'s Amendment to Registration Statement on Form S-1/A filed September 11, 2015 (Commission File No. 333-203424))</u></a>
10.3	<a href="#"><u>Share Exchange Agreement as of February 27, 2017 among Medicine Man Technologies, Inc., Success Nutrients, Inc. and the shareholders of Success Nutrients, Inc. (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed April 17, 2017 (Commission File No. 000-55450))</u></a>
10.4	<a href="#"><u>Agreement and Plan of Merger as of February 27, 2017 among Medicine Man Technologies, Inc., Medicine Man Consulting, Inc. and Pono Publications Ltd. (Agreement between the Company and Pono Publications, Inc. (Incorporated by reference to Exhibit 10.5 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed April 17, 2017 (Commission File No. 000-55450))</u></a>
10.5	<a href="#"><u>Office Building Lease as of January 31, 2017 by and between Havana Gold LLC and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.6 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed April 17, 2017 (Commission File No. 000-55450))</u></a>
10.6	<a href="#"><u>Securities Purchase Agreement by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings, LLC (Incorporated by reference to Exhibit 10.1 of Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 6, 2019 (Commission File No. 001-55450))</u></a>
10.7	<a href="#"><u>Amendment to Securities Purchase Agreement by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings, LLC (Incorporated by reference to Exhibit 10.1 of Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed July 17, 2019 (Commission File No. 001-55450))</u></a>
10.8	<a href="#"><u>Amendment to Securities Purchase Agreement by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings, LLC (Incorporated by reference to Exhibit 10.1 of Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed May 22, 2020 (Commission File No. 001-55450))</u></a>



Exhibit No.	Description
10.12*	<a href="#"><u>Employment Agreement dated December 5, 2019 by and between Justin Dye and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.10 of Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 30, 2020 (Commission File No. 001-55450))</u></a>
10.13*	<a href="#"><u>Employment Agreement dated December 5, 2019 by and between Nancy Huber and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.11 of Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 30, 2020 (Commission File No. 001-55450))</u></a>
10.14*	<a href="#"><u>Amendment to Employment Agreement dated February 6, 2020 by and between Nancy Huber and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.12 of Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 30, 2020 (Commission File No. 001-55450))</u></a>
10.15*	<a href="#"><u>Employment Agreement as of December 5, 2020 by and between Bob DeGabrielle and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.13 of Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 30, 2020 (Commission File No. 001-55450))</u></a>
10.16*	<a href="#"><u>Employment Agreement dated August 12, 2019 by and between Daniel R. Pabon and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.14 of Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 30, 2020 (Commission File No. 001-55450))</u></a>
10.17*	<a href="#"><u>Employment Agreement dated March 1, 2020 by and between Nirup Krishnamurthy and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.1 of Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed September 15, 2020 (Commission File No. 001-55450))</u></a>
10.19	<a href="#"><u>Securities Purchase Agreement, dated November 16, 2020, by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Quarterly Report on Form 10-Q filed November 16, 2020 (Commission File No. 000-55450))</u></a>
10.20	<a href="#"><u>Amendment to Securities Purchase Agreement, dated December 16, 2020, by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC (Incorporated by reference to Exhibit 10.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 23, 2020 (Commission File No. 000-55450))</u></a>
10.21	<a href="#"><u>Second Amendment to Securities Purchase Agreement, dated February 3, 2021, between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 9, 2021 (Commission File No. 000-55450))</u></a>
10.22	<a href="#"><u>Third Amendment to Securities Purchase Agreement, dated March 30, 2021, between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC (Incorporated by reference to Exhibit 10.25 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
10.23	<a href="#"><u>Letter Agreement, dated December 16, 2020, by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC (Incorporated by reference to Exhibit 10.21 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
10.24	<a href="#"><u>Note Purchase Agreement, dated December 16, 2020, by and between Medicine Man Technologies, Inc. and Dye Capital &amp; Company, LLC (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 23, 2020 (Commission File No. 000-55450))</u></a>
10.25	<a href="#"><u>Consent, Waiver and Amendment, dated December 16, 2020, by and between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings, LLC (Incorporated by reference to Exhibit 10.5 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 23, 2020 (Commission File No. 000-55450))</u></a>
10.26 *	<a href="#"><u>Paul Dickman Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.24 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))</u></a>
10.27	<a href="#"><u>Securities Purchase Agreement, dated February 26, 2021, between Medicine Man Technologies, Inc. and CRW Capital Cann Holdings, LLC (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))</u></a>
10.28	<a href="#"><u>Letter Agreement, dated February 26, 2021, between Medicine Man Technologies, Inc. and CRW Capital Cann Holdings, LLC (Incorporated by reference to Exhibit 10.3 to Medicine Man Technologies, Inc.'s Quarterly Report on Form 10-Q filed May 13, 2021 (Commission File No. 000-55450))</u></a>
10.29	<a href="#"><u>Severance Agreement and Release between Leonardo Riera and Medicine Man Technologies, Inc. (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Quarterly Report on Form 10-Q filed May 13, 2021 (Commission File No. 000-55450))</u></a>
10.30 *,**	<a href="#"><u>First Amendment to Justin Dye Employment Agreement, dated June 14, 2021</u></a>
10.31 *	<a href="#"><u>Second Amendment to Nancy Huber Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.2 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))</u></a>
10.32 *	<a href="#"><u>First Amendment to Nirup Krishnamurthy Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))</u></a>
10.33 *	<a href="#"><u>First Amendment to Dan Pabon Employment Agreement, dated June 14, 2021 (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed June 21, 2021 (Commission File No. 000-55450))</u></a>
10.34++	<a href="#"><u>Securities Purchase Agreement, dated December 3, 2021, among Medicine Man Technologies, Inc., the Subsidiary Guarantors and the Investors (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed December 9, 2021 (Commission File No. 000-55450))</u></a>
10.35 *,**	<a href="#"><u>Description of unwritten cash bonus plan adopted June 14, 2021</u></a>

<b>Exhibit No.</b>	<b>Description</b>
14.1	<a href="#">Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14.1 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed April 14, 2016 (Commission File No. 000-55450))</a>
21.1**	<a href="#">List of Subsidiaries</a>
23.1**	<a href="#">Consent of BF Borgers CPA PC</a>
31.1**	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2#	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1#	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted in iXBRL in Exhibit 101)
<hr/>	
*	Indicates management contract or compensatory plan or arrangement.
**	Filed herewith.
#	Furnished herewith.
+	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 SEC upon request.
++	Certain information has been redacted pursuant to Instruction 5 to Item 1.01 of Form 8-K and Item 601(a)(6) of Regulation S-K. The Company hereby undertakes to supplementally furnish any redacted information to the SEC upon request.

The agreements and other documents filed or furnished as exhibits to this Report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

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

Dated: March 31, 2022

**MEDICINE MAN TECHNOLOGIES, INC.**

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Justin Dye</u> Justin Dye	Chief Executive Officer and Director (Principal Executive Officer and Director)	March 31, 2022
<u>/s/ Nancy Huber</u> Nancy Huber	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2022
<u>/s/ Dan Pabon</u> Dan Pabon	General Counsel and Chief Government Affairs Officer	March 31, 2022
<u>/s/ Nirup Krishnamurthy</u> Nirup Krishnamurthy	Chief Operating Officer and Director	March 31, 2022
<u>/s/ Jonathan Berger</u> Jonathan Berger	Director	March 31, 2022
<u>/s/ Jeffrey A. Cozad</u> Jeffrey A. Cozad	Director	March 31, 2022
<u>/s/ Jeff Garwood</u> Jeff Garwood	Director	March 31, 2022
<u>/s/ Paul Montalbano</u> Paul Montalbano	Director	March 31, 2022
<u>/s/ Pratap Mukharji</u> Pratap Mukharji	Director	March 31, 2022
<u>/s/ Brian Ruden</u> Brian Ruden	Director	March 31, 2022
<u>/s/ Salim Wahdan</u> Salim Wahdan	Director	March 31, 2022

# ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of November 13, 2021 by and among (i) Double Brow, LLC, a Colorado limited liability company (“Buyer”), (ii) Medicine Man Technologies, Inc., a Nevada corporation (“Parent”), (iii) Smoking Gun, LLC, a Colorado limited liability company (“Seller”); (iv) Smoking Gun Land Company, LLC, a Colorado limited liability company (“SG Land” and together with Seller, each a “Seller Party” and collectively, “Seller Parties”) and (v) Deborah Dunafon, Ralph Riggs, George Miller, Lindsey Mintz, Terry Grossman and Annette Gilman (each a “Member” and together, the “Members”). Buyer, Parent, Seller Parties and the Members are sometimes referred to herein individually as a “Party” and collectively as the “Parties.” Capitalized terms used but not otherwise defined in this Agreement have the meanings set forth on Exhibit A attached hereto.

## 1. Purchased Assets.

A. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller will sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase, acquire and accept from Seller, all of the tangible and intangible assets of Seller used or held for use in the Business, and SG Land will sell, assign, transfer convey and deliver to Buyer, and Buyer will purchase, acquire and accept from SG Land, all of the tangible and intangible assets of SG Land related to the Leased Real Property (other than the Excluded Assets of Seller and SG Land) including, in each case, the assets of Seller and SG Land set forth on Schedule 1(A)(i) (collectively, the “Purchased Assets”), free and clear of all Encumbrances. The Purchased Assets will not include any assets set forth on Schedule 1(A)(ii) (the “Excluded Assets”).

B. The Parties agree that, at the request of Buyer, any of the Purchased Assets that can be transmitted to Buyer electronically will be so delivered to Buyer promptly following the Closing in a secure format and manner mutually agreeable to the Parties and will not be delivered to Buyer on any tangible medium. After Closing, Seller Parties will not directly or indirectly use any copies of such Purchased Assets under its custody or control except for (a) the purpose of verifying delivery of or re- delivering such Purchased Assets to Buyer or (b) complying with an express provision of this Agreement or any Related Agreement. Upon the written request of Buyer following the Closing, Seller Parties will return or destroy any such copies of the Purchased Assets using commercially reasonable means but, in any event, will not thereafter directly or indirectly permit or perform any recovery or restoration thereof, whether through forensics, archives, undeletion, or otherwise.

2. Assumed Liabilities; Excluded Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer will assume the Liabilities of Seller Parties specifically identified on Schedule 2 (collectively, the “Assumed Liabilities”). Except for the Assumed Liabilities, Buyer will not assume, and Seller Parties 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 (collectively, the “Excluded Liabilities”), including: (a) any Liability of Seller Parties (including any Indebtedness of Seller Parties); (b) any Liability of any successor or Affiliate of Seller Parties; (c) any Liability of any Person, directly or indirectly related to, accruing or arising out of, caused by or resulting from the operation or conduct of the Business or the ownership of the Purchased Assets prior to the Closing, whether or not recorded on the books and records of any Person (including any accounts payable to third parties that remain outstanding as of the Closing); (d) any Liability arising under or in any way related to the Employee Benefit Plans; (e) any Liability that would become a Liability of Buyer as a matter of Law in connection with this Agreement, any agreement executed or delivered in connection herewith, or the transactions contemplated hereby or thereby; (f) without limiting the generality of any of the foregoing, any Liability in respect of Taxes of Seller Parties (or any successor or Affiliate), or any Liability in respect of any Taxes arising from or relating to the Business or the Purchased Assets or ownership or operation thereof for or accruing or arising at any time in respect of any period (or portion thereof) ending on or prior to the Closing; or (g) any Liability directly or indirectly related to, accruing or arising out of, caused by or resulting from the operation or ownership of the Excluded Assets. Without limiting the generality of the foregoing, it is expressly understood and agreed that unless a Liability is expressly within the definition of Assumed Liabilities under this Section 2, neither Buyer nor any of its Affiliates will assume, nor will any of them be liable for, such Liability.

3. Purchase Price. In consideration of the sale, conveyance, transfer and delivery of the Purchased Assets, and subject to the terms and conditions herein and in reliance on the representations and warranties herein contained, Buyer agrees to pay the aggregate purchase price of up to \$4,000,000 (the “Closing Cash Consideration”), plus the Closing Stock Consideration (as defined below), plus the Earn Out Payments (as defined below), for the Purchased Assets, subject to the remainder of this Section 3, Section 4 and Section 5 (collectively, the “Purchase Price”).

4. Payment of Purchase Price. Subject to the satisfaction or waiver of all of the conditions set forth in Section 10 and Section 11, at the Closing, the Purchase Price shall be paid as follows:

A. No later than five (5) Business Days after the date hereof, Parent will pay or cause to be paid \$50,000.00 (the “Earnest Money Payment Amount”), and associated fees, to the Escrow Agent by wire transfer of immediately available funds to a bank account designated by the Escrow Agent to be held by the Escrow Agent in accordance with the terms of the Escrow Agreement;

B. At the Closing, Buyer and Seller, in accordance with the terms of the Escrow Agreement, will jointly instruct the Escrow Agent to release the Earnest Money Payment Amount to Seller by wire transfer of immediately available funds to a bank account or accounts of Seller Parties designated by Seller at least three (3) Business Days prior to such date;

C. At the Closing, Buyer will pay, or cause to be paid, to Seller Parties, by wire transfer of immediately available funds to an account of each applicable Seller Party designated by Seller Parties in writing prior to the Closing Date, an amount equal to (collectively, the “Closing Cash Payment”) (i) the Closing Cash Consideration less (ii) the aggregate amount of the Indebtedness identified in the Payoff Letters (the “Closing Date Repaid Indebtedness”), less (iii) the aggregate amount of the Seller Transaction Expenses identified in the Seller Transaction Expenses Invoices (the “Closing Date Seller Transaction Expenses”) less (iv) the Earnest Money Payment Amount less (v) the Holdback Escrow Amount (vi) less the Negative Inventory Adjustment (if any) (vii) plus the Positive Inventory Adjustment (if any);

D. At the Closing, Buyer shall pay, or cause to be paid, the Closing Date Repaid Indebtedness in accordance with (and in the amounts specified in) the respective Payoff Letters;

E. At the Closing, Buyer shall pay, or cause to be paid, the Closing Date Seller Transaction Expenses in accordance with (and in the amounts specified in) the respective Seller Transaction Expenses Invoices;

F. At the Closing, Buyer shall pay, or cause to be paid, the Holdback Escrow Amount to the Holdback Escrow Agent by wire transfer of immediately available funds to an account designated by the Holdback Escrow Agent; and

G. At the Closing, Parent will issue to Seller 100,000 shares of Parent Common Stock (the “Closing Stock Consideration”).

H. Earn-out Payments.

(i) Time Periods. As additional consideration for the Purchased Assets, during the term of the Ground Lease Sublease Agreement (the “Earn-out Period”) (as may be extended, expire or earlier terminated in accordance with the terms of the Ground Lease Sublease Agreement), Buyer shall pay to SG Land with respect to each calendar year (each, a “Calculation Period”) an amount, if any (each, an “Earn-out Payment”), equal to four percent (4%) of Gross Sales in excess of \$4,500,000.00 (as adjusted, the “Breakpoint”). Within one hundred twenty (120) days after the end of each calendar year, Buyer shall submit to SG Land a statement showing the Gross Sales during the preceding year, together with any payment of Percentage Rent due for such year. The Breakpoint shall be prorated for any partial year.

(ii) **Audit.** Buyer agrees to keep records of Gross Sales for at least three years after the expiration of the respective calendar (including after the end of the Earn-out Period); such records will be kept in accordance with GAAP and Parent and Buyer's record retention policies, as applicable. No more than once every two (2) years, SG Land and/or its agents may at reasonable times, and upon thirty (30) days' prior notice to Buyer, inspect and audit such records at the Premises or such other location as Buyer may maintain such records. If an audit or examination by SG Land, or its representative, discloses that Buyer has failed to report all Gross Sales accurately, and that the total amount of the Gross Sales is not within ninety-five percent (95%) of the Gross Sales previously reported by Buyer for any period examined, Buyer will reimburse SG Land up to \$3,000.00 for all reasonable documented expenses incurred by SG Land in performing the examination, in addition to all additional Percentage Rent found to be owed by Buyer under this Section. If such an audit or examination by SG Land, or its representative, discloses that the total amount of the Gross Sales is within ninety-five (95%) of, or exceeds, the Gross Sales previously reported by Buyer for any period examined, SG Land will remain responsible for such expenses incurred by SG Land in conducting such audit and shall refund excess Percentage Rent found to be paid by Buyer under this Section.

(iii) **Independence of Earn-out Payments.** Buyer's obligation to pay each of the Earn-out Payments to SG Land during the Earn-out Period, subject to the conditions set forth in Section 4.H.1, is an independent, per-annum obligation of Buyer and is not otherwise conditioned or contingent upon the satisfaction of any conditions precedent to any preceding or subsequent Earn-out Payment and the obligation to pay an Earn-out Payment to SG Land shall not obligate Buyer to pay any preceding or subsequent Earn-out Payment. For the avoidance of doubt and by way of example, if the conditions precedent to the payment of the Earn-out Payment for the first Calculation Period are not satisfied, but the conditions precedent to the payment of the Earn-out Payment for the second Calculation Period are satisfied, then Buyer would be obligated to pay such Earn-out Payment for the second Calculation Period for which the corresponding conditions precedent have been satisfied, and not the Earn-out Payment for the first Calculation Period.

(iv) **Post-Closing Operation of the Business.** Subject to the terms of this Agreement, subsequent to the Closing, Buyer shall have sole discretion with regard to all matters relating to the operation of the Business; provided, that Buyer shall not, directly or indirectly, take any actions in bad faith that would have the purpose of avoiding or reducing any of the Earn-out Payments hereunder.

5. **Financial Requirements Regarding the Purchased Assets; Post-Closing Adjustments.**

A. **Financial Requirements.** Notwithstanding anything in this Agreement to the contrary, on the Closing Date, the aggregate value of the Inventory included in the Purchased Assets and delivered to Buyer shall not be less than \$100,000 (the "Minimum Inventory"). "Inventory" shall mean the value of the saleable Inventory included in the Purchased Assets (excluding, however, any inventory which is spoiled, unusable, expired or otherwise non-saleable). Inventory shall be determined in accordance with the Inventory valuation principles set forth on Schedule 5.A (the "Inventory Valuation Principles"). In addition, the cash included in the Purchased Assets and delivered to Buyer at Closing shall not be less than \$750, including all cash held in cash registers used by the Business (the "Minimum Cash").

B. **Inventory Adjustment.** On the date that is three (3) Business Days prior to the Closing Date, Seller will, in accordance with Section 9.D, allow Buyer access to Seller's facilities, books and records so that Buyer can make a good faith determination of the value of the Inventory held by Seller as of such date, calculated in accordance with the Inventory Valuation Principles (the "Closing Inventory"). The Closing Cash Payment will be adjusted as follows: (A) if Closing Inventory is less than \$90,000, the Closing Cash Payment will be reduced by the amount by which the Closing Inventory is less than the Minimum Inventory (such an adjustment, a "Negative Inventory Adjustment"), (B) if Closing Inventory is greater than \$110,000, the Closing Cash Payment will be increased by the amount by which the Closing Inventory is greater than the Minimum Inventory (such an adjustment, a "Positive Inventory Adjustment") or (C) if Closing Inventory is (i) equal to or greater than \$90,000 and (ii) equal to or less than \$110,000, there will be no adjustment to the Closing Cash Payment; provided that in no event will the Negative Inventory Adjustment or the Positive Inventory Adjustment exceed \$25,000.

C. **Purchase Price Allocation.** For Tax purposes, the parties agree to allocate the Purchase Price and all other amounts treated as purchase price consideration for Tax purposes among the Purchased Assets as of the Closing Date in accordance with Section 1060 of the Code and the methodology set forth on Schedule 5(C), which allocation shall be binding on Seller Parties; provided further that allocation of any Earn Out Payments, if applicable, shall be made solely to Purchased Assets sold by, and that Buyer acquires from, SG Land.

6. Representations and Warranties of Seller Parties. Each Seller Party represents and warrants to Buyer and Parent, as of the date hereof and as of the Closing Date, as follows:

A. Organization; Authority. Each Seller Party is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Colorado. Each Seller Party has full limited liability company, corporate, capacity and other power and authority (as applicable) to (i) own and operate its assets, properties and business, (ii) carry on its business as presently conducted, (iii) execute, deliver and perform this Agreement and all Related Agreements to which it is, or at the Closing will be, a party, and (iv) consummate the transactions contemplated by this Agreement and the Related Agreements to which it is, or at the Closing will be, a party. Each Seller Party is duly qualified to do business and is in good standing in each jurisdiction in which the ownership or leasing of the properties or assets of the Business or the conduct of the Business requires such qualification. The execution, delivery and performance of this Agreement and the Related Agreements to which a Seller Party or any Member 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 other action on the part of such Seller Party. Without limiting the generality of the foregoing, the board of directors, managers, managing members or other governing body of each Seller Party has duly authorized the execution, delivery and performance by such Seller Party of this Agreement and each Related Agreement to which such Seller Party is, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby. This Agreement and the Related Agreements to which each Seller Party is, or at the Closing will be, a party each constitutes a legal, valid and binding obligation of such Seller Party, enforceable in accordance with its terms. No consent, approval, notice, filing or authorization is required, to or by any other Person (including any Governmental Authority) in connection with the execution, delivery, consummation or performance of this Agreement or the transactions contemplated hereby.

B. Non-Contravention. Each Seller Party's execution, delivery and performance of this Agreement and the Related Agreements to which they are, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby, do not, nor will they, (A) constitute a breach, violation or infringement of a Seller Party's governing documents, (B) 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 a Seller Party, any Member, the Business or any of Seller Parties' assets or properties (including any Purchased Assets) is subject, (C) 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 a Seller Party or a Member is a party or by which such Party is bound or by which the Business or any of Seller Parties' assets or properties (including any Purchased Asset) is bound or affected, (D) result in the creation or imposition of any Encumbrance upon any of Seller Parties' assets or properties (including any Purchased Asset), or (E) require any Permit, approval, license, certificate, consent, waiver, authorization, novation or notice of or to any Person, including any Governmental Authority or any party to any Contract, except for any such Permit, approval, license, certificate, consent, waiver, authorization, novation or notice that will have been obtained or made prior to the Closing, each of which is listed on Schedule 6(B).

C. Seller Equity. All of Seller Parties' issued and outstanding equity is, and will on the Closing Date be, owned by the Members. Neither Seller Party has any subsidiaries, other Affiliates or investments in any other Person. Except as set forth on Schedule 6(C), there are no Contracts between a Seller Party or any Affiliate of a Seller Party and any Member.

D. Compliance with Laws. Seller Parties and the Members have complied, in all material respects, with all applicable Laws, in the conduct of the Business prior to the Closing Date and in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby. At all times, Seller has complied with, and is currently in compliance with (i) all MED rules, including emergency rules, and industry bulletins 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 CBD), 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 Party has good and marketable title to their respective Purchased Assets free and clear of all Encumbrances of any kind or character.

F. Contracts. Schedule 6(F)(i) contains a schedule of, all Material Contracts (defined herein) to which Seller is a party. Schedule 6(F)(i) includes the names of all parties to each Material Contract and the effective dates thereof. Seller is not in default or alleged to be in default under any Material Contract nor is Seller aware of any default by any other party to any such Material Contract, and there exists no event, condition or occurrence which, after notice or lapse of time, or both, would constitute a default under any such Material Contract. Seller is not party to any Contract that contains most favored nations or similar provisions or exclusivity provisions that are binding on Seller or the Business. All Material Contracts are in full force and effect and constitute legal, valid and binding obligations of the parties thereto in accordance with their terms, and, except as set forth on Schedule 6(F)(ii), are capable of assignment to Buyer pursuant to this Agreement without any notice to or consent by any other party. Buyer has been provided true, accurate and complete copies of all Material Contracts.

G. Condition. The Purchased Assets (i) are in good condition and working order, free from material defects, patent and latent, (ii) have been maintained in accordance with good industry practice, (iii) are in good operating condition and repair, subject to normal wear and tear, 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 to operate the Business in substantially the same manner as conducted by Seller during the twelve (12) months immediately preceding the date hereof or as currently proposed to be conducted and as required by applicable Law.

H. No Liabilities. Schedule 6(H) lists all Indebtedness of Seller outstanding as of the date hereof. Except for Liabilities which will be paid off and discharged in full by Seller prior to the Closing Date, Seller has no 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. Litigation. Except as set forth in Schedule 6(I), there is no Legal Proceeding pending or, to Seller's Knowledge, threatened against a Seller Party which, if adversely determined, would have a material adverse effect on the Purchased Assets nor is there any Order of any court, Governmental Authority or arbitrator outstanding against a Seller Party having, or which, insofar as can be reasonably foreseen, in the future may have, any such effect.

J. Environmental. Each Seller Party is in material compliance with and has not violated any environmental Laws. Neither Seller Party has generated, manufactured, recycled, reclaimed, refined, transported or treated hazardous substances 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 a Seller Party's property or any other location or facility used or occupied by a Seller Party. Neither Seller Party's property contains in- ground, below or underground storage tanks or containers, either in or not in use. No employee or former employee of Seller has been exposed to any hazardous material owned, produced or utilized by Seller or any current or former subsidiary. Neither Seller Party has caused or experienced past or present events, conditions, circumstances, plans or other matters which: (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 claim, action, demand, suit, proceeding, hearing, notice of violation or investigation based on or relating to hazardous materials, including, without limitation, (x) such matters relating to any property owned, leased or utilized by such Seller Party, (y) relating to inventory of or waste from hazardous materials or (z) arising from any off- site disposal, release or threatened release of hazardous materials. Neither Seller Party has received notice or indication from any Governmental Authority or private or public entity advising it that it is or may be responsible for any investigation or response costs with respect to a release, threatened release or cleanup of chemicals or materials produced by or resulting from any business, commercial or industrial activities, operations or processes, including, without limitation, any hazardous materials

K. Taxes. Each Seller Party 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 in accordance with 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 foreign) in which any Tax Returns were due, taking into account any extensions granted under Law. Each Seller Party has timely paid all Taxes required to be 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 respective Seller Party when the Purchased Assets were acquired by such Seller Party, and each Seller Party has collected and paid all applicable sales, use, excise and similar Taxes required to be collected and paid by such Seller Party on the sale of products or taxable services by such Seller Party. There are no existing liens for Taxes upon any of the Purchased Assets. No claim has ever been made by an authority in a jurisdiction where a Seller Party does not file Tax Returns that such Seller Party is or may be subject to Tax by that jurisdiction. There is no dispute, audit, examination, investigation or claim concerning any Tax Liability of any Seller Party. Each Seller Party has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Seller is presently properly treated as a corporation for federal and applicable state and local income tax purposes. SG Land 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 result of the transactions contemplated by this Agreement.



L. Benefits. Schedule 6(L) contains a list of any and all Employee Benefit Plans that Seller maintains or to which it contributes, and Buyer has been provided with true and correct copies of all such plans. Except as identified on Schedule 6(L), Seller has not maintained, contributed to, or been required to contribute to any other “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) or any other “employee pension benefit plan” (as defined in Section 3(2) of ERISA), including any multi-employer plan.

M. Employees. Seller is in material compliance with all applicable Laws related to employment and employment practices, terms of employment and wages and hours. Seller has experienced no strikes or work stoppages and, except as set forth on Schedule 6(M)(i), there is no collective bargaining relationship between Seller and any union covering employees of Seller. There is no dispute or controversy with any union or other organization relating to Seller’s employees and there are no proceedings pending or threatened involving a dispute or controversy. Schedule 6(M)(i)(ii) includes a true, correct and complete list of Sellers’ employees, contractors and consultants, their job title, date of hire or engagement, status as active or on leave (including the type of leave), current base salary or pay, current classification status as an exempt or non-exempt employee, 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. Schedule 6(N) contains a complete and accurate list and summary description of all Intellectual Property, owned by or licensed to Seller and used in the conduct of the Business. Seller is the sole and exclusive owner of the entire right, title and interest in and to such Intellectual Property rights and Seller’s use thereof does not infringe upon the rights of any third party.

O. Reserved.

P. Financial Statements. Schedule 6(O) contains (i) Seller’s statements of financial position as of December 31, 2020 and statements of income and retained earnings and the notes thereto for the fiscal years then ended, each such statement being prepared by the Company’s independent outside certified public accountants; and (ii) Seller’s statements of financial position as of as of August 31, 2021 and statements of income and retained earnings for the period from January 1, 2021 to August 31, 2021. All such statements are complete and accurate and fairly present the financial position and results of operations of Seller as of the respective dates thereof, all in accordance with GAAP consistently applied throughout the periods indicated.

Q. No Changes. Since January 1, 2021, there has not been (a) any adverse change in the business, prospects, financial condition, earnings or operations of Seller; (b) any damage, destruction or loss, whether covered by insurance or not, adversely affecting the Purchased Assets or Seller’s business; (c) any increase in the compensation payable or to become payable to any employees made outside the Ordinary Course of Business 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 party; (d) any entry into any commitment or transaction outside the Ordinary Course of Business; (e) any change by Seller in accounting methods, practices or principles; (f) any termination or waiver of any rights of value to Seller’s business; (g) any other transaction or event other than in the Ordinary Course of Business; (h) any transaction or conduct inconsistent with Seller’s past business practices; (i) 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 employees; (j) any other occurrence, action or event which, if it had occurred or taken place after the date hereof would be prohibited by Section 9.C; or (i) any agreement or understanding made or entered into to do any of the foregoing.

R. Certain Payments. None of Seller, the Members, any Affiliate of Seller or the Members, any officer, employee or agent of Seller or the Members, any other Person acting on behalf of or associated with Seller or the Members, acting alone or together, has (a) 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 Seller has done business directly or indirectly; or (b) 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 Seller (or assist Seller in connection with any actual or proposed transaction) which (i) might subject Seller to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (ii), if not given in the past, might have had an adverse effect on the assets, business or operations of Seller or (iii), if not continued in the future, might adversely affect the assets, business, operations or prospects of Seller or which might subject Seller to suit or penalty in any private or governmental litigation or proceeding.

S. Suppliers. No supplier of Seller that has provided goods or services to 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 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.

T. Permits. Each Seller Party has maintained, in full force and effect, and has complied with, all Permits and has filed all registrations, reports and other documents that, in each case, are necessary or required for the operations of such Seller Party and the conduct of the Business as currently operated, or the ownership, lease, use or operation of its assets or properties of the Business. Schedule 6(T) lists all such Permits, including all licenses and other Permits associated with the Leased Real Property, and the license numbers set forth on such schedule for each such license or Permit are accurate and correct. There is no Legal Proceeding pending or Order outstanding or, to Seller's Knowledge, threatened against a Seller Party that would reasonably be expected to adversely affect any such Permit, and, to Seller's 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. Each Permit that is assignable 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 in accordance with their respective terms.

U. Real Property. Except as set forth on Schedule 6(U), Seller does not own and has never owned any real property (including any ownership interest in any buildings or structures and improvements located thereon). Seller is not obligated or bound by any options, obligations or rights of first refusal or contractual rights to sell, lease or acquire any real property. Schedule 6(U) sets forth a true, complete and correct list of all Contracts pursuant to which 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 in relation to the Business (each, whether written, oral or otherwise, being a "Real Property Lease" and any real property, land, buildings and other improvements covered by the Real Property Lease being "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. Seller has not assigned, transferred or pledged any interest in any Real Property Lease. Other than the Real Property Leases, there are no leases, subleases, licenses or other agreements granting to any Person other than 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 Seller in relation to the Business are included in the Leased Real Property. Except as obligated pursuant to Section 10.D.xix below, Seller has not 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 Property or to purchase any of the Leased Real Property. SG Land will, effective at the Closing, have good and marketable leasehold title to the Leased Real Property, in each case, free of all Encumbrances. No Seller Party has received any written notice of any violation of Laws with respect to any Real Property Lease or any Leased Real Property. There are no pending or, to Seller's Knowledge, threatened or contemplated Legal Proceedings regarding condemnation or other eminent domain Legal Proceedings affecting any Leased Real Property or any negotiations regarding or sale or other disposition of any Leased Real Property in lieu of condemnation, or other Legal Proceedings relating to any parcel of the Leased Real Property or any portion thereof that would reasonably be expected to be material to Seller.

V. Brokers. Except as set forth in Schedule 6(V), neither Seller nor any Person acting on Seller'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 Seller or any of its Affiliates is or may become liable.

W. Parent Common Stock. In connection with the issuance of the Parent Common Stock contemplated by this Agreement:

(i) Seller and Members are acquiring the Parent Common Stock for investment for the Seller and Member's own account only, as applicable, 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"). Seller has no present intention of selling, granting any participation in, or otherwise distributing the Parent Common Stock, except for a pro rata distribution to Members in connection herewith, in accordance with the Securities Act and subject to Buyer receiving an executed Lock-Up Agreement from Seller and Members, as applicable. Seller does not have 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, except for the pro rata distribution to Members in connection with Closing.

(ii) At no time was Seller 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.

(iii) Seller has been furnished with, and has had access to, such information as Seller considers necessary or appropriate in connection with the acquisition of the Parent Common Stock, and Seller has had an opportunity to ask questions and receive answers from Buyer regarding the terms and conditions of the delivery of the Parent Common Stock.

7. Representations and Warranties of the Members. The Members, severally and not jointly, represent and warrant to Buyer and Parent, as of the date hereof and as of the Closing Date, as follows:

A. Organization; Authority. Each Seller Party is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Colorado. Each Seller Party and each Member has full limited liability company, corporate, capacity and other power and authority (as applicable) to (i) own and operate its assets, properties and business, (ii) carry on its business as presently conducted, (iii) execute, deliver and perform this Agreement and all Related Agreements to which it is, or at the Closing will be, a party, and (iv) consummate the transactions contemplated by this Agreement and the Related Agreements to which it is, or at the Closing will be, a party. Each Seller Party is duly qualified to do business and is in good standing in each jurisdiction in which the ownership or leasing of the properties or assets of the Business or the conduct of the Business requires such qualification. The execution, delivery and performance of this Agreement and the Related Agreements to which a Seller Party or any Member 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 other action on the part of such Seller Party and such Member. Without limiting the generality of the foregoing, the board of directors, managers, managing members or other governing body of each Seller Party has duly authorized the execution, delivery and performance by such Seller Party of this Agreement and each Related Agreement to which such Seller Party is, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby. This Agreement and the Related Agreements to which each Seller Party and any Member is, or at the Closing will be, a party each constitutes a legal, valid and binding obligation of such Seller Party and such Member, enforceable in accordance with its terms. No consent, approval, notice, filing or authorization is required, to or by any other Person (including any Governmental Authority) in connection with the execution, delivery, consummation or performance of this Agreement or the transactions contemplated hereby.

B. Non-Contravention. Each Member's execution, delivery and performance of this Agreement and the Related Agreements to which they are, or at the Closing will be, a party, and the consummation of the transactions contemplated hereby and thereby, do not, nor will they, (A) constitute a breach, violation or infringement of a Seller Party's governing documents, (B) 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 a Seller Party, any Member, the Business or any of Seller Parties' assets or properties (including any Purchased Assets) is subject, (C) 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 a Seller Party or a Member is a party or by which such Party is bound or by which the Business or any of Seller Parties' assets or properties (including any Purchased Asset) is bound or affected, (D) result in the creation or imposition of any Encumbrance upon any of Seller Parties' assets or properties (including any Purchased Asset), or (E) require any Permit, approval, license, certificate, consent, waiver, authorization, novation or notice of or to any Person, including any Governmental Authority or any party to any Contract, except for any such Permit, approval, license, certificate, consent, waiver, authorization, novation or notice that will have been obtained or made prior to the Closing, each of which is listed on Schedule 6(6.B).

C. Seller Equity. All of Seller Parties' issued and outstanding equity is, and will on the Closing Date be, owned by the Members. Neither Seller Party has any subsidiaries, other Affiliates or investments in any other entity or business operation. Except as set forth on Schedule 6(6.C), there are no Contracts between a Seller Party or any Affiliate of a Seller Party and any Member.

D. Compliance with Laws. Seller Parties and the Members have complied, in all material respects, with all applicable Laws, in the conduct of the Business prior to the Closing Date and in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby. At all times, Seller has complied with, and is currently in compliance with (i) all MED rules, including emergency rules, and industry bulletins 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 CBD), 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 Party has good and marketable title to their respective Purchased Assets free and clear of all Encumbrances of any kind or character.

F. Taxes. Each Seller Party 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 in accordance with 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 foreign) in which any Tax Returns were due, taking into account any extensions granted under Law. Each Seller Party has timely paid all Taxes required to be 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 respective Seller Party when the Purchased Assets were acquired by such Seller Party, and each Seller Party has collected and paid all applicable sales, use, excise and similar Taxes required to be collected and paid by such Seller Party on the sale of products or taxable services by such Seller Party. There are no existing liens for Taxes upon any of the Purchased Assets. No claim has ever been made by an authority in a jurisdiction where a Seller Party does not file Tax Returns that such Seller Party is or may be subject to Tax by that jurisdiction. There is no dispute, audit, examination, investigation or claim concerning any Tax Liability of any Seller Party. Each Seller Party has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Seller is presently properly treated as a corporation for federal and applicable state and local income tax purposes. SG Land is presently 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 result of the transactions contemplated by this Agreement.

G. Parent Common Stock. In connection with the issuance of the Parent Common Stock contemplated by this Agreement:

(i) Subject to the Lock-Up Agreement, Seller and Members are acquiring the Parent Common Stock for investment for the Seller and Member’s own account only, as applicable, 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”). Seller has no present intention of selling, granting any participation in, or otherwise distributing the Parent Common Stock, except for a pro rata distribution to Members in connection herewith, in accordance with the Securities Act and subject to Buyer receiving an executed Lock-Up Agreement from Seller and Members, as applicable. Seller does not have 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, except for the pro rata distribution to Members in connection with Closing.

(ii) At no time was Seller 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.

(iii) Seller has been furnished with, and has had access to, such information as Seller considers necessary or appropriate in connection with the acquisition of the Parent Common Stock, and Seller has had an opportunity to ask questions and receive answers from Buyer regarding the terms and conditions of the delivery of the Parent Common Stock.

8. Representations and Warranties of Buyer and Parent. Buyer and Parent jointly and severally represent and warrant to Seller Parties and the Members 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 corporate power and authority to execute, deliver and perform this Agreement and all Related Agreements to which it 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 it 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 corporate or other action on the part of Buyer or Parent, as applicable. This Agreement and the Related Agreements to which Buyer is, or at the Closing will be, a party each constitute a legal, valid and binding obligation of Buyer, enforceable in accordance with 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 8.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 Buyer or Parent, as applicable, 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 as set forth in Schedule 8.C, neither Buyer nor any Person acting on Buyer'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 or any of its Affiliates is or may become liable.

D. Sufficiency of Funds. Buyer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

E. Solvency. Immediately after giving effect to the transactions contemplated hereby, Buyer shall be solvent and shall: (a) be able to pay its debts as they become due; (b) own property that has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities); and (c) have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of Buyer or Seller. In connection with the transactions contemplated hereby, Buyer has not incurred, nor plans to incur, debts beyond its ability to pay as they become absolute and matured.

F. Legal Proceedings. Except as set forth in Schedule 8.F, there are no actions, suits, claims, investigations or other legal proceedings pending or, to Buyer's knowledge, threatened against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

G. Independent Investigation. Buyer has conducted its own independent investigation, review and analysis of the Business and the Purchased Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of Seller for such purpose. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own investigation and the express representations and warranties of Seller set forth in Section 6 of this Agreement (including related portions of the Schedules); and (b) neither Seller nor any other Person has made any representation or warranty as to Seller, the Business, the Purchased Assets or this Agreement, except as expressly set forth in Section 6 of this Agreement (including the related portions of the Schedules). Notwithstanding anything to the contrary in this Section 8.G, nothing in this Section 8.G will limit any Buyer Indemnified Party's rights with respect to claims for fraud.

9. Covenants.

A. General. 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 (including satisfaction of the Closing conditions set forth in Sections 10 and 11) 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. Seller Parties, respectively, will give all notices to Governmental Authorities and other Persons and use reasonable efforts to obtain, in writing, without penalty or condition that 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. Seller Parties will provide Buyer complete copies 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. Seller 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. Seller Parties 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. Seller Parties will not 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 it consults with Buyer in advance and, to the extent permitted by such Governmental Authority, gives Buyer the opportunity to attend and participate thereat. Neither Seller nor Buyer will: (a) 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 the other; or (b) 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. Without the prior written consent of Buyer, Seller Parties will not engage in any practice, take any action or enter into any transaction outside of the Ordinary Course of Business with respect to the Purchased Assets, except for any action expressly specified in this Agreement. Without the prior written consent of Buyer, Seller Parties will not 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 Seller Parties and the Members contained herein to be untrue at any time between the date hereof and the Closing. Seller will conduct the Business in the Ordinary Course of Business and in compliance with all Laws, and will keep the Business and its assets and properties, including Seller Parties' 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. Without limiting the generality of the foregoing, Seller Parties will not, without the prior written consent of Buyer, take any of the following actions (except as applicable to SG Land for intangible and tangible assets not related to the Leased Real Property): (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 Seller Parties other than in the Ordinary Course of Business; (iv) increase any compensation or benefits of any employees or independent contractors of Seller Parties or establish any new compensation or benefit plan; (v) hire, retain, engage or terminate any employee or independent contractor 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, 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 Intellectual Property 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 Seller Parties; (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 Seller Parties; (xi) declare, set aside, or pay any non-cash dividend or make any non-cash distribution with respect to any equity securities of Seller Parties or enter into any Contract with any of the Members; (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. Access. The Parties agree that Buyer and its authorized agents and representatives will have the right to: (i) inspect and audit Seller Parties' books and records only to the extent such books and records relate to the Business and/or the Leased Real Property (including records of account data, financial data, operating data, Tax records, records of corporate proceedings, Contracts, trademarks, patent application files, governmental consents, personnel records, environmental records and site assessments and other business activities and matters relating to the transactions contemplated hereunder); (ii) access to Seller Parties' facilities, including the right of physical access for purposes of walk-through inspections of Seller's real property (including all leased real property) and assets located thereon, environmental assessments (including soil sampling and drilling), surveying and such other activities as Buyer may elect in its sole discretion; and (iii) consult with Seller Parties' officers, directors, managers, employees, attorneys, auditors and accountants concerning customary due diligence matters. Such access will be at reasonable times and in a manner not to unreasonably interfere with the normal business operations of Seller Parties.

E. Notice of Developments. Seller Parties will 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 Section 6 or Section 7; (ii) any breach or nonperformance of or noncompliance with any covenant or agreement of Seller Parties or the Members in this Agreement or any Related Agreement; (iii) the failure of any condition set forth in Section 10; (iv) any material damage to or loss or destruction of any properties or assets owned or leased by Seller Parties (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 7(E) 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.

F. Preservation and Transition of Product. Seller will, through the Closing, use its reasonable efforts to maintain and preserve all products associated with the Business in a good and saleable condition, including being non-expired and free from mildew, fungus, rot, spoilage and agricultural neglect. Seller will maintain at least substantially similar levels of inventory of flower, trim, concentrate and edibles at the Business locations as Seller has maintained over the previous twelve (12) months prior to the date hereof.

G. Exclusivity. Seller Parties 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, (a) 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 that 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 Seller Parties 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 Seller Parties, 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 or (b) propose, enter into or participate in any discussions or negotiations regarding any Alternate Transaction Proposal, or furnish to any other Person any information with respect to the business or assets of Seller Parties in connection with an Alternate Transaction Proposal, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing. Seller Parties will cause Seller Parties to promptly notify Buyer in the event that Seller Parties, any Member or any of their respective officers, directors, managers, employees, equityholders, advisors, representatives and agents receives any unsolicited indication of interest or proposal regarding an Alternate Transaction Proposal, including the identity of the Person indicating such interest or making such Alternate Transaction Proposal and a copy thereof.

H. Preferential Pricing. From the date hereof and until the Closing, to the extent permissible by applicable Law and contractual obligations of Parent, Parent will use commercially reasonable efforts to supply Seller with inventory pursuant to pricing terms no less favorable than those offered by Parent to dispensaries owned by Parent and its subsidiaries.

I. Section 280G. Before the Closing Date, Seller will (i) submit to all Persons entitled to vote (within the meaning of the Treasury Regulations under Section 280G of the Code) the material facts concerning all payments and benefits that Buyer reasonably believes, in the absence of stockholder approval of such payments and benefits, could be “parachute payments” within the meaning of Section 280G(b)(2) of the Code (“Parachute Payments”), in form and substance satisfactory to Buyer and its counsel, which will satisfy all requirements of Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder, and (ii) solicit the approval and consent of all such Persons with respect to the Parachute Payments.

10. Conditions to the Obligation of Buyer to Close. The obligation of Buyer to consummate the transactions contemplated by this Agreement and the Related Agreements is 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. All of the representations and warranties made by Seller Parties and the Members 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 10(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 Section 6 and Section 7.

B. Seller Parties 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. No Legal Proceeding will be pending or threatened with respect to Seller Parties, the Members 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. Seller Parties, as applicable, must have delivered to Buyer or have caused to be delivered to Buyer each of the following at or before the Closing:

(i) a certificate of a duly authorized officer of Seller, dated as of the Closing Date and executed by such officer, to the effect that each of the conditions specified in Sections 10(A), 10(B), 10(C) and 10(E) are satisfied in all respects (the “Closing Certificate”);

(ii) a Bill of Sale and Assignment and Assumption Agreement, in substantially the form attached hereto as Exhibit B (the “Bill of Sale”), duly executed by each Seller Party, respectively;

(iii) evidence 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 Seller’s execution, delivery and performance of this Agreement and the Related Agreements to which 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 10(D)(iii);

(iv) the customer and supplier lists and related data included in the Purchased Assets, and books, files and other records of Seller related to the Purchased Assets and the Business;

(v) 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;



- (vi) certificates from the Colorado Department of Revenue and any city in which Seller is engaged in business, dated within thirty (30) days of Closing, showing that Seller has no outstanding Colorado or city Tax Liabilities;
- (vii) the Minimum Inventory and Minimum Cash;
- (viii) evidence reasonably satisfactory to Buyer of release of all Encumbrances on the Purchased Assets;
- (ix) no later than three (3) Business Days prior to the Closing Date, a payoff letter from each lender of Seller or other holder of Indebtedness or any Encumbrance with respect to the Purchased Assets contemplated to be repaid on the Closing Date in customary form, 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”);
- (x) no later than three (3) 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, reasonably acceptable to Buyer (the “Seller Transaction Expenses Invoices”);
- (xi) a certificate of a duly authorized officer of each Seller Party, dated the Closing Date and executed by such officer, certifying (A) that attached thereto are true, correct and complete copies of Seller’s governing documents, as are then in full force and effect, (B) that attached thereto are true, complete and correct copies of the resolutions of the Members and Manager of Seller Parties 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, (C) that 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 Seller’s incorporation or organization and each other jurisdiction in which Seller is qualified to do business, and (D) as to the incumbency and signatures of the officers or other authorized persons of Seller who have signed or will sign this Agreement or any of the Related Agreements;
- (xii) the Escrow Agreement, duly executed by Seller and delivered to Buyer on the date hereof;
- (xiii) the Holdback Escrow Agreement, duly executed by Seller;
- (xiv) a Lock-Up Agreement, in substantially the form attached hereto as Exhibit C attached hereto (the “Lock-Up Agreement”), duly executed by Seller and each Member;
- (xv) an Intellectual Property Assignment Agreement, in substantially the form attached hereto as Exhibit D attached hereto (the “Intellectual Property Assignment Agreement”), duly executed by Seller;
- (xvi) an estoppel certificate, duly executed by the landlords with respect to each Real Property Lease, in form and substance reasonably acceptable to Buyer;
- (xvii) the Ground Lease Sublease Agreement, duly executed by SG Land;
- (xviii) the Ground Lease Sublease Memorandum, duly executed and acknowledged by SG Land;
- (xix) evidence reasonably satisfactory to Buyer of the termination of the Business Lease, duly executed by Seller and SG Land;
- (xx) evidence satisfactory to Buyer that either (a) the requisite stockholder approval under Section 280G(b)(5)(B) of the Code was obtained with respect to any Parachute Payments in accordance with Section 9(I) or (b) the requisite stockholder approval under Section 280G(b)(5) (B) of the Code with respect to such Parachute Payments was not obtained, and as a consequence, such Parachute Payments will not be made, retained, or provided, pursuant to the applicable waiver agreements entered into by the affected individuals; and

(xxi) 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.

E. There shall have been no event or occurrence having a material and adverse effect on the Business or the Purchased Assets.

F. The Parties will have received the City of Glendale and MED Approval, which local authority approval and MED Approval is in effect as of the Closing.

11. Conditions to the Obligation of Seller Parties and the Members to Close. The obligations of Seller Parties and the Members to consummate the transactions contemplated by this Agreement and the Related Agreements is 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 Seller Parties, in their sole discretion, as applicable:

A. 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 11(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 Section 7.

B. Buyer and Parent must have performed and complied in all material respects with all of its covenants, obligations and agreements under this Agreement to be performed or complied with on or before the Closing.

C. No Legal Proceeding will be pending or threatened with respect to Buyer or Parent in which an unfavorable Order would (i) prevent 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. Buyer or Parent, as applicable, will have delivered to Seller each of the following at or before the Closing:

(i) a certificates of a duly authorized officer of each of Buyer, dated as of the Closing Date and executed by such officers, to the effect that, as to Buyer and as to Parent, as applicable, each of the conditions specified above in Sections 11(A), 11(B) and 11(C) is satisfied in all respects;

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

(iii) the Escrow Agreement, duly executed by Buyer;

(iv) the Holdback Escrow Agreement, duly executed by Buyer;

(v) the Intellectual Property Assignment Agreement, duly executed by Buyer;

(vi) the Ground Lease Sublease Agreement, duly executed by Buyer;

(vii) the Ground Lease Sublease Memorandum, duly executed by Buyer; and

(viii) a certificate of a duly authorized officer of Buyer, dated the Closing Date and executed by such officer, certifying (A) that attached thereto are true, correct and complete copies of Buyer's governing documents, as are then in full force and effect, (B) that attached thereto are true, complete and correct copies of the resolutions of the board of directors of Buyer and the Parent 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, (C) that 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 Buyer's incorporation or organization and each other jurisdiction in which Buyer is qualified to do business, and (D) as to the incumbency and signatures of the officers or other authorized persons of Buyer who have signed or will sign this Agreement or any of the Related Agreements;

E. The Parties will have received the City of Glendale and MED Approval, which local authority approval and MED Approval is in effect as of the Closing.

12. 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, within fourteen (14) days following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby set forth in Section 10 and Section 11 (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”).

13. 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 Seller (on its own behalf and on behalf of the Members) 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 Seller: (I) in the event that Seller or any Member 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 10 to be satisfied, Buyer notifies Seller of the breach, and the breach, if capable of cure, continues without cure for a period of thirty (30) days after the notice of breach (provided that Buyer will not have the right to terminate this Agreement pursuant to this Section 13(A)(ii) if Buyer 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 11 to be satisfied); (II) if the Closing has not occurred on or before March 15, 2022 (the “Outside Date”) (unless the failure results primarily from Buyer breaching any representation, warranty, covenant, obligation or agreement contained in this Agreement); (III) 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 (IV) unilaterally, in its sole discretion, subject to Section 13(C); and

(iii) Seller (on its own behalf and on behalf of the Members) may terminate this Agreement by giving written notice to Buyer: (I) 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 11 to be satisfied, Seller notifies Buyer of the breach, and the breach, if capable of cure, continues without cure for a period of thirty (30) days after the notice of breach (provided that Seller will not have the right to terminate this Agreement pursuant to this Section 13(A)(iii) if Seller 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 10 to be satisfied); (II) if the Closing has not occurred on or before the Outside Date (unless the failure results primarily from Seller or any Member breaching any representation, warranty, covenant or agreement contained in this Agreement); or (III) 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. In the event of the termination of this Agreement in accordance with this Section 13.B, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except (a) as set forth in this Section 13, Section 30 and Section 31; and (b) that nothing herein shall relieve any party hereto from liability for any intentional breach of any provision hereof.

C. Earnest Money. In the event that Buyer, on its own behalf or on behalf of Parent, terminates this Agreement pursuant to clause (IV) of Section 13(A)(ii), or has not taken action to close the transactions contemplated by this Agreement and the Related Agreements after the fourth (4th) Business Day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated by this Agreement set forth in Section 10 and Section 11, then, within three (3) Business Days from the date of such termination or the date of such failure to take action (provided that such date is on or before the Outside Date), as applicable, Buyer and Seller will jointly instruct the Escrow Agent to release the Earnest Money Payment Amount to Seller by wire transfer of immediately available funds to a bank account or accounts designated by Seller in accordance with the terms of the Escrow Agreement; provided that in the event that the Earnest Money Payment Amount is released to Seller pursuant to this Section 13(C), the Parties acknowledge that such payment shall be deemed to be liquidated damages and the sole and exclusive remedy (whether at law, in equity, in contract, in tort or otherwise) for any and all Damages suffered or incurred by Seller, the Members or any of their respective Affiliates or any other Person in connection with or related to or arising out of this Agreement (and the termination thereof) or for a breach or failure to perform hereunder or otherwise (in any case, whether willfully, intentionally, unintentionally or otherwise) or the transactions contemplated by this Agreement and the Related Agreements (and the abandonment thereof) and upon release of the Earnest Money Payment Amount to Seller pursuant to this Section 13(C), neither Parent, Buyer nor any of their Affiliates shall have any further liability or obligation relating to or arising out of this Agreement.

14. Apportionment of Taxes. Notwithstanding any other provision of this Agreement, Seller Parties and the Members shall be severally liable and shall indemnify Buyer for all Taxes attributable to the ownership or sale of the Purchased Assets or any operations of Seller Parties for all taxable periods (or portions thereof) ending on or before the Closing Date ("Pre-Closing Taxes"). Taxes which are real property or personal property Taxes shall be allocated to Pre-Closing Taxes based on the number of days in the applicable taxable period during which the Purchased Assets were owned by any Seller Party. If Buyer makes a payment of any Pre-Closing Taxes or Seller Parties' portion of any Transfer Taxes (as defined below), it shall be entitled to prompt reimbursement from Seller Parties and/or the Members for such Taxes upon presentation to Seller of evidence of such payment. Seller Parties (collectively) and Buyer shall each be liable for 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"); provided however that if any such Transfer Taxes that are use taxes exceed \$5,000, then Buyer shall be solely liable for the amount of any such Transfer Taxes that are use taxes in excess of \$5,000. Claims under this Section 14 shall survive for the full period of any applicable statute of limitations plus an additional ninety (90) days. With respect to any amounts owed by the Members to Buyer pursuant to the indemnification obligations in this Section 14, each Member's personal liability will be limited to the amount equal to (A) the total amount of any such obligation multiplied by (B) such Member's Pro Rata Share.

15. Indemnity.

A. Seller Parties, jointly and severally, agree to indemnify, defend and reimburse Buyer, Parent and their respective Affiliates and each of their respective affiliates, officers, directors, managers, partners, equityholders, subsidiaries, employees, successors, heirs, 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 Liabilities or Excluded Assets, (ii) any breach of any of the representations and warranties of a Seller Party contained in Section 6, (iii) any breach of any term, provision, covenant or agreement contained in this Agreement or any of the Related Agreements by a Seller Party, (iv) any inaccuracy or misrepresentation in any certificate or other document or instrument delivered by a Seller Party or caused to be delivered by a Seller Party or any Member in accordance with 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 a Seller Party in connection with this Agreement or the Related Agreements, (vi) any Pre-Closing Taxes, Seller Parties' portion of any Transfer Taxes or other Taxes of any Seller Party and (vii) any fraud, knowing or intentional misrepresentation or breach or willful misconduct on the part of a Seller Party. Notwithstanding anything contained herein to the contrary, the obligations of Seller Parties and the Members pursuant to Section 15(A)(ii) or Section 15(B)(ii), in the aggregate, shall be limited to, and shall not exceed, four hundred thousand dollars (\$400,000.00) (the "Cap"), provided, however, the Cap shall not apply to any Damages resulting from any fraud, knowing or intentional misrepresentation or willful misconduct. For purposes of calculating the amount of Damages arising out of or relating to any inaccuracy or breach of any representation or warranty in Section 6, Materiality Qualifiers will be disregarded.

B. The Members, severally and not jointly, agree to indemnify, defend and reimburse 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 breach of any of the representations and warranties of any Member contained in Section 7, (ii) any breach of any term, provision, covenant or agreement contained in this Agreement or any of the Related Agreements by any Member, (iii) any inaccuracy or misrepresentation in any certificate or other document or instrument delivered by any Member or caused to be delivered by Member in accordance with any provision of this Agreement, (iv) any broker, investment banker or adviser fees, or any other fees, costs or expenses incurred by or on behalf of any Member in connection with this Agreement or the Related Agreements, (v) any Taxes of any Member and (vi) any fraud, knowing or intentional misrepresentation or breach or willful misconduct on the part of any Member. Notwithstanding anything contained herein to the contrary, the obligations of Seller Parties and the Members pursuant to Section 15(A)(ii) or Section 15(B)(i), in the aggregate, shall be limited to, and shall not exceed, the Cap, provided, however, the Cap shall not apply to any Damages resulting from any fraud, knowing or intentional misrepresentation or willful misconduct. For purposes of calculating the amount of Damages arising out of or relating to any inaccuracy or breach of any representation or warranty in Section 7, Materiality Qualifiers will be disregarded.

C. Buyers and the Parents, jointly and severally, agree to indemnify, defend and reimburse each Seller Party and their respective Affiliates and each of their respective affiliates, members, officers, directors, managers, partners, equityholders, subsidiaries, employees, successors, heirs, assigns, agents and representatives (each, a “Seller Indemnified Party,” and collectively, 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 Assumed Liabilities or Purchased Assets, (ii) any breach of any of the representations and warranties of Buyer and the Parents in Section 8, (iii) any breach of any term, provision, covenant or agreement contained in this Agreement or any of the Related Agreements by Buyer or any Parent, (iv) any inaccuracy or misrepresentation in any certificate or other document or instrument delivered by Buyer or the Parents or caused to be delivered by Buyer in accordance with 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 Buyer or any of the Parents in connection with this Agreement or the Related Agreements, (vi) Buyer’s portion of any Transfer Taxes, and (vii) any fraud, knowing or intentional misrepresentation or breach or willful misconduct on the part of Buyer or any Parent. Notwithstanding anything contained herein to the contrary, the obligations of Buyer and the Parents pursuant to Section 15(C)(ii) shall be limited to, and shall not exceed the Cap, provided, however, the Cap shall not apply to any Damages resulting from any fraud, knowing or intentional misrepresentation or breach or willful misconduct. For purposes of calculating the amount of Damages arising out of or relating to any inaccuracy or breach of any representation or warranty in Section 8, Materiality Qualifiers will be disregarded.

D. The representations, 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 Seller Parties and the Members 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 twelve (12) months after the Closing Date; (ii) the Fundamental Representations, including the Fundamental Representations referenced in the Closing Certificate, will survive the Closing for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus 60 days. All other covenants, obligations and agreements contained in this Agreement will survive the Closing indefinitely.

E. If and to the extent that any Buyer Indemnified Party is entitled to indemnification pursuant to this Agreement (after giving effect to the limitations of the Cap on indemnification set forth in Section 15(A) and Section 15(B)), such Buyer Indemnified Party will recoup all or any portion of any Damages to which such Buyer Indemnified Party is entitled by directing cash payment of, and Seller Parties and the Members will pay, monetary Damages from Seller Parties or the Members; provided that, with respect to any Damages for which a Buyer Indemnified Party is entitled to indemnification in accordance with this Section 15, each Member’s personal liability will be limited to the amount equal to (A) the total amount of such Damages *multiplied* by (B) such Member’s Pro Rata Share; provided further that Buyer may instead elect to offset such Damages (i) from the Holdback Escrow Amount; or (ii) from any amounts owed by Buyer to Seller pursuant to this Agreement. Such remedies are not exclusive of any other remedies the Purchaser Indemnified Persons may exercise at law or in equity to satisfy Sellers’ and the Members’ indemnification obligations hereunder.

F. If and to the extent that any Seller Indemnified Party is entitled to indemnification pursuant to this Agreement (after giving effect to the limitations of the Cap on indemnification set forth in Section 15(C)), such Seller Indemnified Party will recoup all or any portion of any Damages to which such Seller Indemnified Party is entitled by directing cash payment of, and Buyer and Parent will pay, monetary Damages from Buyer or Parent.

G. The Holdback Escrow Amount, less any amounts that have been released to compensate any Buyer Indemnified Party for Damages as provided in this Section 15), will be released to Seller within ten (10) Business Days after the date that is twelve (12) months after the Closing Date (the “Holdback Release Date”) in accordance with the Holdback Escrow Agreement; provided, however, that any portion of the Holdback Escrow Amount that is necessary to satisfy any pending claims for indemnification pursuant to this Section 15 specified in a written notice delivered to Seller prior to 11:59 p.m., Mountain Time on at least three business days prior to the Holdback Release Date will not be payable to Seller hereunder until final resolution of all such claims, at which time the amount of the Holdback Escrow Amount held back to satisfy such pending claims, to the extent not released to compensate any Buyer Indemnified Party for Damages as provided in this Section 15 will be released to Seller in accordance with the Holdback Escrow Agreement.

16. Inability to Assign Contracts.

A. 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, 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 Seller or Purchaser 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.

B. Both prior and subsequent to the Closing, Seller will use reasonable efforts and cooperate with Buyer to obtain promptly all consents, waivers, authorizations or novations and to timely give all notices required with respect to the Assigned Contracts, in form and substance reasonably acceptable to Buyer. Seller will bear and pay the cost of all filing, recordation and similar fees and Taxes payable to any Governmental Authority in connection with the assignment of the Assigned Contracts and any additional fees or charges (howsoever denominated) required by any Person in connection with the assignment of any of the Assigned Contracts or any related consent, waiver, authorization, novation or notice.

C. 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 in accordance with this Agreement, then 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 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, Seller will assign such Assigned Contract to Buyer at no additional cost to Buyer.

17. Restrictive Covenants.

A. From and after the Closing, Seller and each Member 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 the Business. The obligation of Seller, the Members and their Affiliates under this Section 17(A) will not apply to information that: (i) is or becomes generally available to the public without breach of the commitment provided for in this Section 17(A); (ii) is or becomes available to Seller or a Member on a non-confidential basis from a source not known (or reasonably expected) by Seller or such Member to be prohibited from disclosing such information; or (iii) is required to be disclosed by Law; provided, however, that in the case of a required disclosure under subsection (iii), Seller, a Member or such other Person, as applicable, will notify Buyer as early as reasonably practicable prior to disclosure to allow Purchaser to take appropriate measures to preserve the confidentiality of such information.

B. As a material inducement to Buyer to enter into and perform its obligations under this Agreement, Seller and each Member agrees that, from the Closing Date through the three (3) year anniversary of the Closing Date (the “Non-Compete Restricted Period”), Seller and each Member will not, 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 Business or any business that competes directly with the Business within the State of Colorado. Nothing herein will prohibit any such Person from being a passive owner of not more than two percent (2%) of the outstanding stock of any class of a corporation that is publicly traded, so long as Seller or such Member has no active participation in the business of such corporation. For purposes hereof, “competes directly with” shall mean a business which engages in the sale and/or distribution of medical and/or retail marijuana within twenty-five (25) miles of the Leased Real Property; such term shall expressly exclude any business (including, for the avoidance of doubt, any business activity of Lindsey Mintz, Deborah Dunafof or Terry Grossman ) which engages in the cultivation, manufacturing, sale and/or wholesale distribution of products derived from hemp or marijuana.

C. As a material inducement to Buyer to enter into and perform its obligations under this Agreement, from the Closing Date through the two (2)-year anniversary of the Closing Date (the “Non-Solicit Restricted Period”), Seller and each Member (i) will not, 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, however, that this Section 17C will not prohibit any such Person from (A) 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), or (B) participating in job fairs, career fairs or similar recruiting events; and (ii) 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. Notwithstanding the foregoing, such foregoing restrictions shall expressly not prohibit Seller or any of its Members from: (x) engaging any independent contractors of Seller; or (y) directly or indirectly contacting, approaching or soliciting for the purpose of offering employment to or hiring (whether as an employee, consultant, agent, independent contractor or otherwise) or actually hire Lindsey Mintz, Michelle Sandoval, DunMin Media, Nick Moscia and/or Rich Gilman.

D. As a material inducement to Buyer to enter into and perform its obligations under this Agreement, from and after the Closing, Seller and each Member will not, directly or indirectly denigrate or disparage Buyer or its Affiliates (including Parent) and their respective equityholders, managers, directors, officers, employees, independent contracts or representatives or the Business.

E. Seller and each Member acknowledges and agrees that in the event of a breach or alleged breach by such Person of any of the provisions of this Section 17, 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 17 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.

18. 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) Member is an officer, member or director of Seller, any rights, if any, with respect to any directors’ and officers’ liability insurance policy (collectively, the “Unreleased Claims”), (i) each Member, on behalf of such Member and such Member’s predecessors, successors, assigns, next-of-kin, representatives, administrators, executors, trusts, agents, and any other Person claiming by, through or under any of the foregoing and (ii) Seller, on behalf of, as applicable, Seller, SG Land and their respective predecessors, successors, assigns, next-of-kin, representatives, administrators, executors, trusts, agents and any other Person claiming by, through or under any of the foregoing (collectively, the “Releasers”), unconditionally and irrevocably waives, releases and forever discharges Buyer and Parent and each of their respective Affiliates and each of their respective officers, managers, directors, equityholders, financing sources, advisors, consultants and representatives and any predecessors, successors or assigns of any of the foregoing (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 (collectively, the “Released Liabilities”), and none of any Member, Seller or any other Releaser will seek to recover any amounts in connection therewith or thereunder from any Released Person. Each Member and Seller represents on such Member’s or Seller’s own behalf and on behalf of its Releasers that none of such Releasers has asserted any claim against any Released Person for indemnification or otherwise and that none of such Releasers is aware of any claim by any of such Releasers (nor of any fact, circumstance or event that forms or would form the basis for any such claim) other than Unreleased Claims or claims that are waived, released and forever discharged under this Section 18. Each Member and Seller is aware that such Member and Seller, as applicable, and any of its Releasers may hereafter discover claims or facts in addition to or different from those that such Member, Seller or any of its Releasers now know or believe to be true with respect to the matters released herein, but that, except for the Unreleased Claims, it is the intention of such Member and Seller and their respective Releasers to fully and finally release all Released Liabilities and Liabilities of any nature related thereto that do exist, may exist or heretofore have existed. Each Member and Seller represents and warrants on such Member’s or Seller’s, as applicable, own behalf and on behalf of its respective Releasers to the Released Persons that none of any such Member, Seller or any of their respective Releasers has assigned or transferred or purported to assign or transfer to any Person all or any portion of, or any interest in any Released Liability or any Legal Proceeding or Liability that is or that purports to be released or discharged under this Section 18.

19. Governing Law. This Agreement and the agreements executed in connection herewith shall 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.
20. Dispute Resolution. Subject to Section 21, any dispute between any of the Parties hereto or any claim by a Party against another Party arising out of or relating to this Agreement, the agreements entered into in connection herewith, or relating to any alleged breach hereof or thereof shall be determined by arbitration in accordance with the rules then in force of the American Arbitration Association. The arbitration proceedings shall take place in Denver, Colorado or such other location as the Parties in dispute may agree upon. The arbitration proceedings shall be subject to the substantive laws of the State of Colorado. There shall be one arbitrator, as shall be agreed upon by the Parties in dispute, who shall be an individual skilled in the legal and business aspects of the subject matter of this Agreement and of the dispute. In the absence of such an agreement, each Party in dispute shall select one arbitrator and the arbitrators so selected shall select a third arbitrator. In the event the arbitrators cannot agree upon the selection of a third arbitrator, such third arbitrator shall be appointed by the American Arbitration Association at the request of any of the Parties in dispute. The decision rendered by the arbitrator shall be accompanied by a written opinion in support thereof. Such decision shall be final and binding upon the Parties in dispute without right of appeal. Judgment upon any such decision may be entered into in any court having jurisdiction thereof, or application may be made to such court for a judicial acceptance of the decision in an order of enforcement. Costs of the arbitration shall be assessed by the arbitrator against all or any of the Parties in dispute and shall be paid promptly by the Party or Parties so assessed.
21. 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, shall 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 shall not plead adequacy of damages at law.
22. Further Assurances. From time to time after the Closing Date, at Buyer's request, and without further consideration from Buyer, Seller Parties and the Members shall 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.
23. Waiver of Compliance; Consents. Any failure of Seller or the Members on the one hand, or Buyer on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived in writing by Buyer or by Seller, respectively, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall 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 shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 23.
24. Post-Closing Payments. After the Closing Date, Seller and the Members will cause any financial institution to which any cash, checks or other instruments of payment are delivered to an account not transferred to Buyer on the Closing Date 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 (5) Business Days after receipt thereof. To the extent not remitted immediately to Buyer, Buyer may offset such amounts against any obligation of Buyer to Seller or the Members now or hereafter existing. Seller shall 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.
25. 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 Sellers, any Member and any of their Affiliates at or prior to the Closing (the "Seller Transaction Expenses") are deemed Excluded Liabilities.



26. Legend. Seller acknowledges and agrees that the certificates representing Parent Common Stock pursuant to this Agreement may contain a legend in form acceptable to Buyer, including the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS OF A LOCK UP PROVISION BETWEEN THE COMPANY AND THE STOCKHOLDER SET FORTH IN A SEPARATE LOCK-UP AGREEMENT. A COPY OF SUCH LOCK-UP AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE PROVIDED TO THE HOLDER HEREOF UPON REQUEST. NO TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE COMPANY UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH THE TERMS OF SUCH LOCK-UP AGREEMENT.

27. 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 addresses set forth on the signature pages hereto (or at such other addresses or email addresses for a Party as will have been specified by like notice).

28. Appointment of Seller as Agent. Each Member (a) hereby irrevocably constitutes and appoints Seller as such Member's agent, attorney in fact and representative, with full power to do any and all things on behalf of such Member, and to take any action required or contemplated to be taken by such Member, under this Agreement or any Related Agreement or in connection with any transaction contemplated hereby or thereby and (b) will be bound by all actions taken by Seller regarding this Agreement or any Related Agreement or in connection with any transaction contemplated hereby or thereby. Buyer and Parent (i) will at all times be entitled to rely upon any communication with Seller (including any document or other writing executed by Seller) as being binding with respect to each Member, (ii) will have no obligation to otherwise communicate with any Member (including regarding indemnification) and (iii) will not be liable to any Member for any action taken or omitted to be taken by Buyer or Parent in reliance on this Section 28.

29. Reserved.

30. Press Release and Public Announcements. Except as otherwise required by Law, no 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 Seller or the Business with respect to the transactions contemplated by this Agreement and the Related Agreements without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed.

31. Miscellaneous.

A. 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 and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties. 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.

B. In this Agreement: (a) the 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 in accordance with 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) unless otherwise required by the context in which they appear, 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 to the “Project Colt” 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.

C. This Agreement and all of the provisions hereof and the other documents or agreements contemplated hereby shall 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 shall be assigned by any Party without the prior written consent of the other Parties, except that Parent or Buyer may assign this Agreement and any Related Agreement to any Affiliate of Parent or Buyer, any successor to Parent, Buyer, the Business or to any lender (or agent on behalf of such lenders) as collateral security for the obligations of Parent or Buyer to such lenders. This Agreement constitutes the product of the negotiation of the Parties hereto and the enforcement hereof shall be interpreted in a neutral manner, and not more strongly for or against any Party based upon the source of the draftsmanship hereof. This Agreement may be executed in separate counterparts, each of which when so executed shall be an original, but all of such counterparts shall 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. 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.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**BUYER:**

BY: DOUBLE BROW, LLC

BY: SCHWAZZE COLORADO, LLC, THE SOLE MEMBER  
OF DOUBLE BROW, LLC

BY: MEDICINE MAN TECHNOLOGIES, INC. DBA  
SCHWAZZE, THE SOLE MEMBER OF SCHWAZZE  
COLORADO, LLC

By: /s/ Daniel Pabon

Name: Daniel Pabon

Title: General Counsel and Chief Government Affairs Officer

**PARENT:**

MEDICINE MAN TECHNOLOGIES, INC. DBA SCHWAZZE

By: /s/ Daniel Pabon

Name: Daniel Pabon

Title: General Counsel and Chief Government Affairs Officer

Address for notices pursuant to Section 28:

Medicine Man Technologies, Inc.  
4880 Havana Street, Suite 201  
Denver, Colorado 80239  
Attention: Dan Pabon  
Email Address: dan@medicinemantechnologies.com

with a copy to (not constituting notice):

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

[Signature Page to Asset Purchase Agreement]

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

**SELLER:**

SMOKING GUN, LLC

By: /s/ Lindsey Mintz

Name: Lindsey Mintz

Title:

Managing Member

SMOKING GUN LAND COMPANY, LLC

By: /s/ Lindsey Mintz

Name: Lindsey Mintz

Title:

Managing Member

Address for notices pursuant to Section 28 for the Seller Parties and the Members:

Smoking Gun Land Company, LLC

455 N. Sherman Street, Suite 110

Denver, CO 80203

Attention: Rich Gilman

Email Address: rich@richgilmancpa.com

with a copy to (not constituting notice):

Moye White LLP

1400 16<sup>th</sup> Street, 6<sup>th</sup> Floor

Denver, CO 80202

Attention: Garrett Graff

Email Address: garrett.graff@moyewhite.com

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

**MEMBERS:**

/s/ Deborah Dunafon  
Deborah Dunafon

/s/ Ralph Riggs  
Ralph Riggs

/s/ George Miller  
George Miller

/s/ Lindsey Mintz  
Lindsey Mintz

/s/ Terry Grossman  
Terry Grossman

/s/ Annette Gilman  
Annette Gilman

**SCHEDULE 1(A)(i)**

**Purchased Assets**

All of the tangible and intangible assets of Seller Parties used or held for use in the Business, except for the Excluded Assets set forth on Schedule 1(A)(ii).

**SCHEDULE 1(A)(ii)**

**Excluded Assets**

1. All tangible and intangible assets of SG Land which are unrelated to the Leased Real Property, the Business and/or the Purchased Assets including, without limitation, (i) that certain Ground Lease Agreement by and between SG Land and the Anthony Marino Family Trust, dated October 13, 2014; and (ii) any rental or other proceeds arising out of that certain lease by and between Seller and SG Land; and (iii) any other unrelated agreements to which SG Land is a party, or proceeds derived therefrom.
2. Cash of SG Land, whether or not derived from the Leased Real Property, the Business and/or the Purchased Assets.
3. Cash of Seller, except for the Minimum Cash.
4. That certain lease by and between Seller and TEMFinancial relating to the automated teller machine (ATM) situated upon the Leased Real Property, and any cash therein.

**SCHEDULE 2**

**Assumed Liabilities**

None.



**SCHEDULE 5(A)**

**Inventory Valuation Principles**

Calculated at an actual cost basis of the Inventory, determined using the last purchase price for each item of Inventory paid by Seller to purchase the applicable Inventory.

**SCHEDULE 5(C)**

**Purchase Price Allocation Methodology Smoking Gun, LLC**

Total Consideration Allocation to Seller: \$700,000.00 plus Closing Stock Consideration, subject to any adjustments to the Closing Cash Consideration to be paid by Buyer or Seller pursuant to the Agreement.

<b>Class</b>	<b>Tax Description – Section 1060 Categories</b>	<b>Allocation</b>
Class I	Cash and general deposit accounts (including savings and checking accounts) other than certificates of deposits.	\$750.00
Class II	Actively traded personal property including certificates of deposit and foreign currency. Examples of actively traded personal property are U.S. government securities and publicly traded stock.	\$0.00
Class III	Accounts receivable, mortgages, and credit card receivables from customers which arise in the ordinary course of business.	\$0.00
Class IV	Stock in trade or other property of a kind which would properly be included in inventory if on hand at the close of the year, or property held by the taxpayer primarily for sale to customers in the ordinary course of business.	Fair market value as of the Closing Date.
Class V	Assets other than Class I, II, III, IV, VI, and VII assets. ( <i>i.e.</i> , PP&E)	Net book value based on straight line depreciation determined in accordance with GAAP as of immediately prior to the Closing.
Class VI	All Section 197 intangibles as defined in IRC Sec. 197, except goodwill and going concern value. ( <i>i.e.</i> , licenses)	\$0.00
Class VII	Goodwill and Going Concern Value	Residual amount of Total Consideration Allocation to Seller.

## Smoking Gun Land, LLC

Total Consideration Allocation to SG Land: \$3,300,000.00; plus any Earn Out Payments, as applicable.

Class	Tax Description – Section 1060 Categories	Allocation	
Class I	Cash and general deposit accounts (including savings and checking accounts) other than certificates of deposits.	\$0.00	
Class II	Actively traded personal property including certificates of deposit and foreign currency. Examples of actively traded personal property are U.S. government securities and publicly traded stock.	\$0.00	
Class III	Accounts receivable, mortgages, and credit card receivables from customers which arise in the ordinary course of business.	\$0.00	
Class IV	Stock in trade or other property of a kind which would properly be included in inventory if on hand at the close of the year, or property held by the taxpayer primarily for sale to customers in the ordinary course of business.	\$0.00	
Class V	Assets other than Class I, II, III, IV, VI, and VII assets. (i.e., PP&E)	Total amount of Total Consideration Allocation to SG Land, other than any Earn Out Payments.	
Class VI	All Section 197 intangibles as defined in IRC Sec. 197, except goodwill and going concern value. (i.e., licenses)	\$0.00	
Class VII	Goodwill and Going Concern Value	Residual amount of Total Consideration Allocation to SG Land.	

“Escrow Agreement” means that certain Escrow Agreement, dated as of the date hereof, by and between Buyer, Seller and the Escrow Agent.

“Fundamental Representations” means the representations and warranties set forth in Section 6.A, Section 6.B, Section 6.C, Section 6.D, Section 6.E, Section 6.K, Section 7.A, Section 7.B, Section 7.C, Section 7.D, Section 7.E, Section 7.F, Section 8.A, Section 8.B, Section 8.C and Section 8.D.

“GAAP” means generally accepted accounting principles in the United States.

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

“Gross Sales” means the selling price of all merchandise or services sold in any part of the real property premises, building, designated parking and all other improvements, now existing or installed in the future, on the real property premises leased pursuant to the Ground Lease Sublease Agreement (the “Premises”) from any Regulated Marijuana Business (as defined by MED regulation, and as such may be amended from time to time) thereupon including, but not limited to: (i) those sales or reservations that are made online, provided that the merchandise or services comes directly from the Premises; (ii) sales deriving from any hospitality business (e.g. a Retail Marijuana Hospitality and Sales Business or a Marijuana Hospitality Business License (as each term is defined by MED regulation, and as such may be amended from time to time); (iii) delivery services for merchandise that comes directly from the Premises, or otherwise, but in all circumstances, to the extent such sales are fulfilled with inventory from the Premises; provided, however, Gross Sales shall exclude (a) returns made to and refunds made by Buyer upon transactions otherwise included within Gross Sales; (b) the amount of any city, county, state or federal sales, luxury, or excise tax on such sales which is added to the selling price or absorbed therein; (c) bad debt expenses with respect to merchandise sold on credit or purchased by check; (d) any charges paid to the issuers of credit cards and for check authorization fees; (e) any insurance proceeds received in any manner relating to the Premises; and (f) any discounts or coupons netted against sales.

“Ground Lease” means that certain Amended and Restated Ground Lease Agreement, dated as of January 22, 2015, by and between Anthony Marino Family Trust, as landlord, and SG Land, as tenant.

“Ground Lease Sublease Agreement” means that certain Sublease Agreement, by and between Purchaser and SG Land, in substantially the form attached hereto as Exhibit E.

“Ground Lease Sublease Memorandum” means that certain Memorandum of Sublease Agreement, by and among Purchaser and SG Land, in substantially the form attached hereto as Exhibit F.

“Holdback Escrow Agent” means VAI, LLC (d/b/a Xcrow), a Colorado limited liability company.

“Holdback Escrow Agreement” means that certain Escrow Agreement, in form and substance reasonably satisfactory to Buyer and Seller, by and among Seller, Buyer and the Holdback Escrow Agent.

“Holdback Escrow Amount” means \$100,000.

“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.

“Intellectual Property” 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).

“Law” means any applicable provision of any constitution, treaty, statute, law (including the common law), rule, regulation, ordinance, guidance, code or order enacted, adopted, issued or promulgated by any Governmental Authority.

“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 indebtedness, loss, damage, adverse claim, fine, penalty, Tax, liability, responsibility or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), including all costs and expenses relating thereto.

“Material Contract” means any of the following Contract to which Seller is a party or by which any of its assets or properties is bound: (a) any Real Property Lease; (b) any Contract (or group of related Contracts) for the lease or license of personal property (including Intellectual Property) to or from any Person; (c) any agreements or series of related agreements with distributors involving aggregate payments to Seller in excess of \$25,000 in any twelve (12) month period; (d) any Contract (or group of related Contracts) for the purchase or sale of supplies, products or other personal property, or for services provided, involving aggregate payments by Seller in excess of \$25,000 in any twelve (12) month period; (e) any Contract concerning a partnership or joint venture; (f) any Contract involving non-disclosure, confidentiality, non-competition or non-solicitation; (g) any Contract under which Seller has made any advance or loan to any other Person, including any of Seller’s officers, directors, managers or employees; or (h) any settlement, conciliation or similar Contract.

“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.

“MED Approval” means any and all approvals from MED required under applicable Law for (a) the transfer by Seller to Buyer of any Permit or (b) the consummation of the transactions contemplated by this Agreement.

“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 Seller, the ordinary course of business of Seller or Seller consistent with its or their past regular custom and practice, including, as applicable, with respect to quantity and frequency.

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

“Per Parent Share Price” means the volume weighted average price per share of Parent Common Stock for the prior ten (10) consecutive trading days, as determined in reasonable good faith by Buyer on the date that is three (3) Business Days prior to the Closing Date.

“Permit” means any permit, registration, approval, license, certificate or authorization issued by any Governmental Authority or quasi-governmental or self-regulatory body.

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

“Pro Rata Share” means, with respect to each Member, the percentage equal to such Member’s percentage ownership of the issued and outstanding membership interests of Seller as of the date hereof.

“Related Agreements” means the Bill of Sale, the Intellectual Property Assignment Agreement, the Closing Certificate, the Lockup Agreement and all other documents, agreements and instruments executed and delivered in connection with this Agreement.

“Seller’s Knowledge” means the actual knowledge of Lindsey Mintz, Deborah Dunafon and Ralph Riggs.

“Tax” means (a) all federal, state, and local and foreign income, gross receipts, sales, use, production, ad valorem, value-added, 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, 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, by Contract, as a transferee or successor, by operation of Law or otherwise.

“Tax Return” means any return, declaration, report, filing, claim for refund or information return or statement 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.

**EXHIBIT B**

**Form of Bill of Sale and Assignment and Assumption Agreement**

[See attached.]

**BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Bill of Sale and Assignment and Assumption Agreement (this “**Agreement**”) is made and entered into as of November [●], 2021 by and among Smoking Gun, LLC, a Colorado limited liability company (“**Seller**”), Smoking Gun Land Company, LLC, a Colorado limited liability company (“**Smoking Gun Land**” and, together with Seller, “**Sellers**”) and Double Brow, LLC, a Colorado limited liability company (“**Buyer**”). Capitalized terms used and not defined herein will have the respective meanings assigned to such terms in that certain Asset Purchase Agreement, dated as of November [●], 2021, by and among Sellers, Buyer, Medicine Man Technologies, Inc. (d/b/a Schwazze), a Nevada corporation, and the Members party thereto (the “**Asset Purchase Agreement**”).

Pursuant to the Asset Purchase Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of the Closing, (a) Seller and Smoking Gun Land, as applicable, do hereby sell, assign, transfer, convey and deliver to Buyer, and its successors and assigns, all of Seller’s and Smoking Gun Land’s, as applicable, right, title, and interest in and to the Purchased Assets, and (b) Buyer does hereby assume from Seller the Assumed Liabilities.

Buyer hereby agrees to execute and deliver to Sellers, and Seller and Smoking Gun Land hereby agree to execute and deliver to Buyer, such further instruments of transfer, assignment and assumption, and take such other action as Sellers or Buyer may reasonably request, to more effectively transfer to, assign to, and vest in Buyer each item of the Purchased Assets, and to evidence Buyer’s assumption of the Assumed Liabilities.

The representations, warranties, covenants and agreements of the parties hereto and the terms and conditions set forth in the Asset Purchase Agreement will survive the execution and delivery of this Agreement and will not be merged herein or integrated herewith.

All terms and conditions of, and all representations, warranties, covenants and agreements relating to, the transactions contemplated by the Asset Purchase Agreement are set forth in the Asset Purchase Agreement. To the extent that any provision of this Agreement is inconsistent or conflicts with the Asset Purchase Agreement, the provisions of the Asset Purchase Agreement will control. Nothing contained in this Agreement will be deemed to supersede, enlarge, limit or otherwise modify any of the rights, obligations, agreements, covenants, representations or warranties contained in the Asset Purchase Agreement.

The parties hereto may cause this Agreement to be amended at any time only by execution of an instrument in writing signed on behalf of each of the parties hereto. This Agreement will not be assigned to any other Person, except Buyer may assign this Agreement to any Affiliate of Buyer, any purchaser of all or substantially all of the Purchased Assets, or any financing source as a collateral assignment. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

This Agreement and all Legal Proceedings arising hereunder will be governed by and construed in accordance with the Laws of the State of Colorado without reference to such state’s principles of conflicts of Law. Each of the parties hereto irrevocably consents to the exclusive jurisdiction of and venue in any state or federal court located in the State of Colorado (and of and in any court to which an appeal of the decisions of any such court may be taken), in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the Laws of the State of Colorado for such persons, and waives and covenants not to assert or plead any objection which it might otherwise have to such jurisdiction and such process; *provided, however*, that any party hereto will be entitled to seek injunctive or other equitable relief in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein in any forum having proper legal jurisdiction over such matter.



TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED HEREUNDER. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

This Agreement may be executed and delivered by each party hereto in separate counterparts (including electronic portable document format (.PDF) or similar format), each of which when so executed and delivered will be deemed an original and all of which taken together will constitute one and the same agreement. This Agreement will become effective when, and only when, each party hereto delivers a counterpart hereof to each other Party. This Agreement may be executed by .PDF signature, and a .PDF signature will constitute an original signature for all purposes.

*[The remainder of this page is intentionally left blank.]*

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed and delivered as of the date first written above.

**BUYER:**

BY: DOUBLE BROW, LLC

BY: SCHWAZZE COLORADO, LLC, THE SOLE MEMBER  
OF DOUBLE BROW, LLC

BY: MEDICINE MAN TECHNOLOGIES, INC. DBA  
SCHWAZZE, THE SOLE MEMBER OF SCHWAZZE  
COLORADO, LLC

By: \_\_\_\_\_

Name:

Title:

**SELLER:**

SMOKING GUN, LLC

By: \_\_\_\_\_

Name:

Title:

**SMOKING GUN LAND:**

SMOKING GUN LAND COMPANY, LLC

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT C**

**Form of Lock-Up Agreement**

[See attached.]

## LOCK-UP AGREEMENT

[●]

Medicine Man Technologies, Inc.  
 4880 Havana Street, Suite 201  
 Denver, CO 80239  
 Attn: Dan Pabon, General Counsel

Ladies and Gentlemen:

In connection with Section 10(D)(xiv) of the Asset Purchase Agreement, dated [●], by and among Medicine Man Technologies, Inc., a Nevada corporation (“Parent”), Double Brow, LLC, a Colorado limited liability company, Smoking Gun, LLC, a Colorado limited liability company, Smoking Gun Land Company, LLC, a Colorado limited liability company and each Member as defined therein (the “Purchase Agreement”), the undersigned (the “Securityholder”) has agreed to deliver this Lock-Up Agreement (this “Lock-Up Agreement”) to Parent with respect to the shares of Parent Common Stock the Securityholder acquired under the Purchase Agreement (the “Shares”). All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Purchase Agreement.

1. In consideration of issuance of Parent Common Stock, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Securityholder agrees that the Securityholder will not (and any transferee of Shares held or formerly held by the Securityholder may not), without the prior written consent of Parent, directly or indirectly, assign, sell, pledge, contract to sell (including any short sale), grant any option to purchase, enter into any contract to sell or otherwise dispose of or transfer (collectively, “Transfer”) any Shares before and including six (6) months from the date of the Securityholder’s acquisition of the Shares (the “Issue Date”). Thereafter, the Securityholder will only (and any transferee of the Shares held or formerly held by the Securityholder may only) Transfer (a) up to an aggregate of 25% of the Shares at any time following the six (6) month anniversary of the Issue Date until the twelve month anniversary of the Issue Date, (b) together with any Shares Transferred under clause (a), up to an aggregate of 50% of the Shares at any time following the twelve month anniversary of the Issue Date until the eighteen month anniversary of the Issue Date, and (c) up to all of the Shares any time following the eighteen month anniversary of the Issue Date. All Transfers of Shares may be liquidated at a daily rate of no more than 5% of the preceding five (5) day average volume of the Company’s Common Stock on any given trading day.

2. Any Transfer by the Securityholder (or any transferee of Shares held or formerly held by the Securityholder) is subject to and conditioned upon the intended recipient’s delivery to Parent of a written undertaking, in substantially the form of this Lock-Up Agreement, in form and substance acceptable to Parent, pursuant to which the intended recipient agrees to be bound by substantially the same restrictions as set forth in this Lock-Up Agreement (including, without limitation, this Section 2). Any purported Transfer of any Shares by the Securityholder (or any transferee of Shares held or formerly held by the Securityholder) not made in compliance with the requirements of Section 1 and/or Section 2 shall be null and void ab initio, shall not be recorded on the books of Parent or its transfer agent and shall not be recognized by Parent.

3. The Securityholder hereby agrees that, to the extent that the terms of this Lock-Up Agreement conflict with or are in any way inconsistent with any agreement between Parent and the Securityholder, this Lock-Up Agreement supersedes and controls such agreement.

4. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado without regard to the conflicts of laws principles thereof. The Securityholder hereby irrevocably agrees that any suit or proceeding arising directly or indirectly pursuant to or under this Lock-Up Agreement shall be brought solely in a federal or state court located in the City and County of Denver, Colorado. By its execution of this Lock-Up Agreement, the Securityholder hereby covenants and irrevocably submits to the *in personam* jurisdiction of the federal and state courts located in the City and County of Denver, Colorado and agrees that any process in any such action may be served upon it personally, or by certified mail or registered mail upon it or its agent, return receipt requested, with the same full force and effect as if personally served upon it in Denver, Colorado. The Securityholder waives any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of *in personam* jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of its reasonable counsel fees and disbursements.

5. The Securityholder hereby represents and warrants that the Securityholder has full power and authority to enter into this Lock-Up Agreement and that this Lock-Up Agreement has been duly authorized (if applicable), executed and delivered by the Securityholder and is a valid and binding agreement of the Securityholder. All authority conferred or agreed to be conferred in this Lock-Up Agreement shall survive the death or incapacity of the Securityholder and any obligations of the Securityholder shall be binding upon the heirs, personal representatives, successors and assigns of the Securityholder.

Very truly yours,

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**EXHIBIT D**

**Form of Intellectual Property Assignment Agreement**

[See attached.]

## INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT

THIS INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT (this “**Assignment**”), dated as of [●] (the “**Effective Date**”), is made by and between Smoking Gun, LLC, a Colorado limited liability company (“**Assignor**”) and Double Brow, LLC, a Colorado limited liability company (“**Assignee**”). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement (the “**Purchase Agreement**”), dated as of [●], by and among Assignor, Smoking Gun Land Company, LLC, a Colorado limited liability company (“**Smoking Gun Land**”), Assignee, Medicine Man Technologies, Inc., a Nevada corporation and the Members party thereto.

WHEREAS, Assignor is the owner of the Assignor IP (as defined below);

WHEREAS, in accordance with the terms of the Purchase Agreement, Assignee is purchasing and assuming from Assignor and Smoking Gun Land the Purchased Assets, including all Assignor IP;

WHEREAS, to induce Assignee to enter into the Purchase Agreement and to consummate the transactions thereunder and as an express condition thereto, Assignor has agreed to assign to Assignee all of Assignor’s right, title, and interest in and to Assignor IP by executing and delivering this Assignment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Definitions.** As used herein, the following terms have the following meanings:

“**Assignor IP**” means all Intellectual Property that is practiced by, held for practice by, owned (in whole or in part), purported to be owned (in whole or in part) by or licensed to Assignor, and in each case, used in connection with the Business.

“**Copyrights**” mean (i) any copyright in any original works of authorship fixed in any tangible medium of expression as set forth in 17 U.S.C. Section 101 et. seq., whether registered or unregistered, including any applications for registration thereof, (ii) any corresponding foreign copyrights under the laws of any jurisdiction, in each case, whether registered or unregistered, and any applications for registration thereof, and (iii) moral rights under the laws of any jurisdiction.

“**Domain Names**” means all internet domain names and social media account or user names (including “handles”), whether or not Trademarks, all associated web addresses, URLs, websites and web pages, social media accounts and pages, and all content and data thereon or relating thereto, whether or not Copyrights, that are used by Assignor, including, but not limited to, Domain Names listed or described on **Exhibit A**.

“**Intellectual Property**” 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).



**“Patents”** means all United States, international and foreign issued patents and patent applications (whether provisional or non-provisional), including divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions, or restorations of any of the foregoing, all patents, applications, registrations, documents and filings claiming priority to or serving as a basis for priority thereof, and other Governmental Authority-issued indicia of invention ownership (including certificates of invention, petty patents, and patent utility models).

**“Trade Secrets”** means trade secrets, inventions, invention disclosures, arts, processes, recipes, machines, plant growth processes, articles of manufacture, developments and improvements, technical expertise, research data, and proprietary and confidential information, know how, compositions, compositions of matter, technology, business methods, formulae, technical data and customer lists, tangible or intangible proprietary information, whether or not patented or the subject of an application for Patent and whether or not patentable, methods and process for making of them, and all documentation relating to any of the foregoing (whether in written or electronic form).

**“Trademarks”** means trademarks, service marks, brands, certification marks, logos, trade dress, trade names, and other similar indicia of source or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications for registration, and renewals of, any of the foregoing.

2. **Assignment.** Assignor hereby irrevocably sells, assigns, transfers and conveys to Assignee, its successors, assigns, and legal representatives, all of its right, title and interest in and to any Assignor IP (collectively, the **“Assigned IP”**), and Assignor acknowledges that Assignee owns and will own all such existing and future right, title and interest in and to the Assigned IP, including, without limitation, Assignor’s right to claim priority rights deriving from any of the foregoing and Assignor’s right to sue for, settle and release past, present and future infringement of any of the foregoing. Without limiting the foregoing, Assignor acknowledges that, from and after the date hereof, Assignee has all of Assignor’s rights to use, sell, license, translate, copy, duplicate, record, broadcast, distribute, perform, display, add to, subtract from, arrange, rearrange, revise, modify, change, adapt and otherwise exploit the Assigned IP and any derivative works thereof in Assignee’s sole and absolute discretion.

3. **Further Assurances.** Assignor will, at its own cost and expense, promptly execute and deliver to Assignee any documents necessary to complete the timely transfer of the Assigned IP to Assignee. In addition, Assignor will, at Assignee’s expense (except to the extent that such cost and expense are related to or arise from any claim for which Assignee is entitled to indemnification or other recourse from Assignor pursuant to the Purchase Agreement), testify in any legal proceedings, sign all lawful papers, execute all divisional, continuing, reissue, reexamination and other applications, make all assignments and rightful oaths, and generally do everything possible to aid Assignee, its successors, assigns, and nominees to obtain and enforce proper protection for the Assigned IP in all countries, and asserts that it will not execute any agreements inconsistent therewith. Without limiting the foregoing, Assignor hereby irrevocably designates and appoints Assignee and its duly authorized officers and agents as Assignor’s agent and attorney-in-fact to act for and on its behalf and instead of Assignor, to execute and file any documents, applications or related filings and to do all other lawfully permitted acts in furtherance of the purposes set forth above in this paragraph, including, without limitation, the perfection of assignment and the prosecution and issuance of Patents, patent applications, copyright applications and registrations, or other rights in connection with such Assigned IP and improvements thereto with the same legal force and effect as if executed by Assignor.

4. **Irrevocable and Binding Assignment.** Assignor acknowledges that this Assignment is irrevocable and binding on Assignor’s successors and assigns. Assignor does not have the right to: (a) rescind any of the rights or waivers granted herein; (b) enjoin, restrain or otherwise hinder Assignee’s exercise of any of the rights granted herein; or (c) enjoin, restrain, or otherwise hinder, by court order or otherwise, the use, sale, license, translation, copying, duplication, recording, broadcasting, distribution, performance, display, addition to, subtraction from, arrangement, rearrangement, revision, modification, change, adaptation or other exploitation of the Assigned IP and any derivative works thereof.

5. **Entire Agreement; Amendments.** This Assignment together with the Purchase Agreement (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof which together supersede all prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof, and (b) shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Assignment may be modified only by a written agreement signed by both parties. For the avoidance of doubt, in the event of any conflict between this Assignment and the Purchase Agreement, the provisions of this Assignment shall govern in all respects. Nothing contained herein is intended to modify, limit or otherwise affect the representations, warranties, covenants, agreements, liabilities and indemnifications contained in the Purchase Agreement and such representations, warranties, covenants, agreements, liabilities and indemnifications will remain in full force and effect in accordance with the terms of such Purchase Agreement.

6. **Counterparts, Facsimile Signature.** This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Assignment delivered by facsimile, e-mail or other means of electronic transmission, including a recognized electronic signature service, shall be deemed to have the same legal effect as delivery of an original signed copy of this Assignment.

7. **Governing Law.** The parties hereby agree that the governing law and venue provisions of the Purchase Agreement apply to this Assignment.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, each of the undersigned has caused this Assignment to be executed and delivered by its duly authorized representative as of the Effective Date.

**ASSIGNOR:**

BY: SMOKING GUN, LLC

By: \_\_\_\_\_

Name:

Title:

**ASSIGNEE:**

BY: DOUBLE BROW, LLC

BY: SCHWAZZE COLORADO, LLC, THE SOLE MEMBER  
OF DOUBLE BROW, LLC

BY: MEDICINE MAN TECHNOLOGIES, INC. DBA  
SCHWAZZE, THE SOLE MEMBER OF SCHWAZZE  
COLORADO, LLC

By: \_\_\_\_\_

Name:

Title:

## **Exhibit A**

### **Domain Names**

- 1 <https://www.smokingunapothecary.com>
- 2 <https://www.facebook.com/smokingunapothecary>
- 3 <https://www.instagram.com/smokinguncolorado>
- 4 <https://twitter.com/SmokinGunCO>

**EXHIBIT E**

**Form of Ground Lease Sublease Agreement**

[See attached.]

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**GROUND SUBLEASE AGREEMENT**

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by and between

**SMOKING GUN LAND COMPANY, LLC**  
A Colorado limited liability company  
**(SUBLANDLORD)**

And

**DOUBLE BROW, LLC**  
A Colorado limited liability company  
**(SUBTENANT)**

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## Table of Contents

1.	PREMISES; PRIME LEASE	6
2.	SECURITY DEPOSIT	6
3.	TERM	7
3.1	Initial Term	7
3.2	Extended Terms	7
3.3	Termination of Prime Lease	7
4.	RENT	7
4.1	Rent Commencement Date	7
4.2	Payment of Rent	7
4.3	Rent Escalation	7
5.	CONDITION SUBSEQUENT	8
6.	CONDITION OF PROPERTY	8
6.1	No Warranties	8
6.2	Access	8
7.	ENVIRONMENTAL MATTERS	8
8.	LEASEHOLD TITLE POLICY	9
8.1	Title; Survey	9
8.2	Title Objections	9
9.	USE; PARKING	9
9.1	Use	9
9.2	Parking	9
10.	UTILITIES	9
11.	REPAIRS AND MAINTENANCE	9
12.	ALTERATIONS	10
13.	SIGNS	10
14.	TRADE AND OTHER FIXTURES	10
15.	PERMITS/LICENSES	10
16.	INSURANCE; RESTORATION OF DAMAGE	10
16.1	Subtenant's Insurance	10
16.2	Sublandlord's Insurance	11
16.3	General Insurance Requirements	11
16.4	Restoration of Damage to Building or Premises	11
16.5	Waiver of Claims and Subrogation	12
17.	REPRESENTATIONS AND WARRANTIES OF SUBLANDLORD	12
17.1	Authorization	12
17.2	No Other Agreements	12
17.3	Compliance	12
17.4	No Condemnation or Special Assessments	12
17.5	No Liens	12
17.6	No Other Permitted Exceptions	13
17.7	No Breach or Default	13



17.8	No Uncured Notices	13
17.9	No Hazardous Wastes	13
17.10	No Foreign Person	13
18.	REPRESENTATIONS AND WARRANTIES OF SUBTENANT	13
19.	INDEMNIFICATION BY PARTIES	13
19.1	Indemnification by Subtenant	13
19.2	Indemnification by Sublandlord	14
20.	ASSIGNMENT	14
21.	EMINENT DOMAIN	15
21.1	Termination of this Sublease	15
21.2	No Termination of this Sublease	15
22.	SURRENDER OF PREMISES; HOLDOVER TENANCY	15
22.1	Ownership of Building; Surrender of Premises by Subtenant	15
22.2	Holding Over	15
23.	DEFAULT	16
23.1	Subtenant's Monetary Default	16
23.2	Other Subtenant Default	16
23.3	Sublandlord's Default	17
24.	RIGHT OF FIRST OFFER/OPTION	17
25.	INTENTIONALLY DELETED	17
26.	TAXES	18
26.1	Taxes Defined	18
26.2	Real Property Taxes	18
26.3	Payment in Installments	18
26.4	Right To Contest	19
26.5	Personal Property Taxes	19
27.	QUIET ENJOYMENT	19
28.	BANKRUPTCY	19
29.	CHANGE OF OWNERSHIP	19
30.	ESTOPPEL, SUBORDINATION, NONDISTURBANCE AND ATTORNMENT	20
30.1	Estoppel Certificates	20
30.2	Subordination, Nondisturbance, and Attornment	20
31.	FORCE MAJEURE	21
32.	LIENS	21
32.1	Generally	21
32.2	Sublandlord's Lien	21
33.	CONFIDENTIAL INFORMATION	21
34.	BROKER'S FEES; REAL ESTATE COMMISSIONS	22
35.	DISPUTE RESOLUTION	22
35.1	Arbitration	22
35.2	Costs of Arbitration	22
36.	ATTORNEYS' FEES	22
37.	GENERAL PROVISIONS	22
37.1	Time of the Essence	22
37.2	Governing Law	22

37.3	Cooperation	22
37.4	Drafting	23
37.5	Complete and Binding Agreement	23
37.6	Survival	23
37.7	Severability	23
37.8	Exhibits	23
37.9	Further Acts	23
37.10	Attorneys' Fees	23
37.11	Notices	23
37.12	Execution in Counterparts	24
37.13	No Beneficiaries	24
37.14	Relationship of Parties	24
37.15	Calendar and Business Days	24
37.16	Public Announcements	25
37.17	Extensions or Forbearances by Parties; Waiver	25
37.18	Time of the Essence	25
37.19	Reasonable Efforts to Mitigate	25
37.20	Operation of Business; "Go Dark" Provision	25
37.21	Entry and Inspection	25
37.22	Memorandum of Sublease	25

## GROUND SUBLEASE AGREEMENT

The Ground Sublease Agreement (this “**Sublease**”) is entered into and made effective of the date of its mutual execution (as defined below) (“**Effective Date**”) by and between Smoking Gun Land Company, LLC, a Colorado limited liability company (“**Sublandlord**”); and Double Brow, LLC, a Colorado limited liability company (“**Subtenant**”) (with Subtenant and Sublandlord being collectively referred to as “**Parties**”).

### R E C I T A L S

**WHEREAS**, Sublandlord is a party to that certain Amended and Restated Ground Lease Agreement dated October 13, 2014 (the “**Prime Lease**”) with the Anthony Marino Family Trust (the “**Prime Landlord**”);

**WHEREAS** under the Prime Lease, Sublandlord has a leasehold interest in the real property commonly known as 492 South Colorado Boulevard, City of Glendale, County of Arapahoe, Colorado, as depicted and more particularly described on **Exhibit A** and incorporated by reference (“**Real Property Premises**”);

**WHEREAS** the Subtenant wishes to sublease from Sublandlord, and Sublandlord wishes to sublease to Subtenant, the Premises under the terms and conditions herein;

**WHEREAS** in accordance with the terms of the Prime Lease, Sublandlord has constructed improvements on the Real Property Premises, including, without limitation and subject to the City of Glendale building approvals, a building with approximately +/- one thousand seven hundred (1,700) square feet of above-ground floor area (“**Building**”) and twenty-four (24) certain striped parking spaces (“**Parking**”). The Building and Parking are labeled and depicted on the Site Plan attached as **Exhibit B** and incorporated herein by reference;

**WHEREAS** Sublandlord and Subtenant are parties to that certain Asset Purchase Agreement dated\_, 2021 (the “**APA**”) whereby Subtenant intends to purchase substantially all of Sublandlord’s assets including, without limitation, the Building, in connection with this Sublease; and

**WHEREAS** Subtenant will take possession of the Real Property Premises, Building, Parking and all other improvements, now existing or installed in the future, on the Real Property Premises (collectively, the “**Premises**”) and rent shall commence at the “**Closing**” (as defined in the APA), subject to the terms and conditions of this Sublease.

**NOW, THEREFORE**, in consideration of the Premises, mutual promises and obligations set forth herein, Subtenant and Sublandlord agree as follows:

1. **PREMISES; PRIME LEASE.**

- 1.1 Subject to the terms and conditions of this Sublease, Sublandlord grants and leases the entire Premises to Subtenant, including, without limitation, any water taps and utilities, and Subtenant takes and leases the entire Premises from the Sublandlord. For purposes of this Agreement, “**Premises**” means all of the Premises as defined in the Prime Lease, and includes Parking, the Building any other improvements on the Real Property Premises.
- 1.2 Sublandlord represents and warrants to Subtenant that (a) the Prime Lease has not been amended or modified and comprises the entire understanding and agreement of Prime Landlord and Sublandlord with respect to the Premises, (b) the Initial Term of the Prime Lease expires on September 30, 2024; (c) the Prime Lease is in full force and effect, (d) no event of default (after all notice and cure periods have elapsed) or, an event which, with the passage of time and the giving of notice, would constitute an event of default, has occurred under the Prime Lease on the part of Sublandlord or Prime Landlord, (e) Sublandlord has not assigned, sublet or otherwise transferred its leasehold interest in the Premises, and no one other than Sublandlord has the right to use any portion of the Premises, and any agreements with affiliates of Sublandlord to use the Premises have been terminated; and (f) Sublandlord has not entered into any unrecorded parking agreements affecting the Premises and to Sublandlord’s actual knowledge, there are no unrecorded parking agreements affecting the Premises.
- 1.3 Sublandlord shall not (a) amend or modify the Prime Lease without the prior written consent of Subtenant, which consent shall not be unreasonably withheld, conditioned or delayed so long as the amendment or modification does not diminish the rights and privileges of Subtenant under this Sublease or impose greater duties and obligations on Subtenant under this Sublease, (b) agree to a termination of the Prime Lease unless, in connection therewith, Prime Landlord accepts this Sublease as a direct lease between Prime Landlord and Subtenant, and (c) do or cause to be done or suffer or permit any act to be done which would or might cause the Prime Lease, or the rights of Sublandlord as tenant under the Prime Lease, to be endangered, canceled, terminated, forfeited or surrendered, or which would or might cause Sublandlord to be in default thereunder.

2. **SECURITY DEPOSIT.** Within three (3) business days of the execution of this Sublease, Subtenant shall deliver to Sublandlord Twenty Five Thousand and 00/100 Dollars (\$25,000.00) (“**Deposit**”). If Subtenant defaults with respect to any provision of this Sublease beyond any applicable notice and cure period, including but not limited to the provisions relating to the payment of Rent, Sublandlord may, in Sublandlord’s discretion, use, apply or retain all or any part of the Deposit for the payment of any Rent, or any other sum in default beyond any applicable notice and cure period, or for the payment of any other amount which Sublandlord may spend or become obligated to spend by reason of Subtenant’s default beyond any applicable notice and cure period, or to compensate Sublandlord for any other loss or damage which Sublandlord may suffer by reason of Subtenant’s default beyond any applicable notice and cure period. If any portion of the Deposit is so used, applied, or retained, Subtenant shall within ten (10) business days after written demand deposit funds with Sublandlord in an amount sufficient to restore the Deposit to its original amount. Sublandlord shall not be required to keep the Deposit separate from its general funds, and Subtenant shall not be entitled to interest on the Deposit. The Deposit shall not be deemed a limitation on Sublandlord’s damages or a payment of liquidated damages or a payment of the Rent due for the last month of the Term (as may be extended). Sublandlord may deliver the Deposit to the purchaser of the Premises if the Premises are sold, and after such time, Sublandlord will have no further liability to Subtenant with respect to the Deposit. Within the earlier of (a) three (3) business days subsequent to Sublandlord’s inspection of the Premises upon the expiration or earlier termination of this Sublease, and (b) ten (10) business days after the expiration or earlier termination of this Sublease, any portion of the Deposit which is not used, applied or retained as set forth hereunder shall be remitted to Subtenant.

### 3. TERM.

- 3.1 **Initial Term.** Unless earlier terminated or extended as provided in this Sublease, the Term of this Sublease shall commence on the date of the Closing and shall continue until the expiration of the Initial Term as set forth in the Prime Lease ("**Initial Term**"). The Parties each agree that, upon the other Party's written request, they will execute and deliver an acceptance letter acknowledging the commencement date of the Initial Term, the Rent Commencement Date, as defined in Article 4 below, and the expiration date of the Initial Term.
- 3.2 **Extended Terms.** Sublandlord grants Subtenant two (2) successive options to extend the Initial Term for ten (10) years each upon the same terms, covenants, and conditions of this Sublease (each, an "**Extended Term**"). The word "**Term**" as used in this Sublease, unless otherwise clear from the context of its use, shall refer to the Initial Term as extended by any one or more Extended Terms. If Subtenant elects to exercise one or more options, Subtenant shall notify Sublandlord at least two hundred ten (210) days prior to the expiration of the then current Term or Extended Term. Subtenant's election to exercise one or more option as set forth herein shall serve to require Sublandlord to exercise its option to extend under Section 4.2 of the Prime Lease.
- 3.3 **Termination of Prime Lease.** If the Prime Lease terminates for any reason prior to the expiration or other termination of this Sublease, this Sublease shall terminate concurrently therewith without any liability of Sublandlord to Subtenant, (a) unless such termination shall have been effected because of the breach or default of Sublandlord under the Prime Lease or by reason of the voluntary termination or surrender of the Master Lease by Sublandlord, and (b) except for any Subtenant obligations hereunder arising on or prior to the termination of this Sublease, following Subtenant's surrender in compliance with Section 22 hereof, Subtenant's obligations hereunder shall terminate, except with respect to any obligations of Subtenant which, by their nature, shall survive such termination.

### 4. RENT.

- 4.1 **Rent Commencement Date.** "**Rent Commencement Date**" means the date of Closing, subject to Section 5 of this Sublease. Within three (3) business days of Closing (subject to Section 5 of this Sublease), Subtenant shall pay Sublandlord base rent in the amount of \$25,000.00, subject to adjustment as set forth in Sections 4.2 and 4.3 ("**Rent**"). Subtenant's Rent obligation shall continue throughout the Term and be paid in accordance with Section 4.2.
- 4.2 **Payment of Rent.** Rent shall be paid by Subtenant to Sublandlord in advance on or before the first (1<sup>st</sup>) day of each month unless abated or diminished as provided herein. Should the Rent Commencement Date occur on a day other than the first day of a calendar month, the first month's Rent shall be prorated for that month only. Monthly Rent shall be paid by Subtenant to Sublandlord by ACH / electronic funds transfer to Sublandlord to an account designated by Sublandlord in writing. Sublandlord shall provide the account for electronic funds transfer within two (2) business days of Subtenant's request for the same.
- 4.3 **Rent Escalation.** On October 1, 2024, the Rent shall escalate by a percentage equal to three percent (3%). Thereafter, the Rent shall escalate by a percentage equal to three percent (3%) every five (5) years. Sublandlord shall inform Subtenant of each year's Rent at least fifteen (15) days prior to each anniversary of the Rent Commencement Date.

5. **CONDITION SUBSEQUENT.** Each Party acknowledges that this Sublease is expressly contingent upon Subtenant receiving all necessary permits and approvals required by law to operate Subtenant's business within the Premises and for the Closing (as defined in the APA), including without limitation, approvals from the Colorado Marijuana Enforcement Division ("**MED**") and the City of Glendale, Colorado (all of such approvals and permits, collectively referred to herein as "**MED Approval**"). Subtenant shall notify Sublandlord of its receipt of MED Approval within forty eight (48) hours of said receipt. If Subtenant does not receive MED Approval by March 15, 2022, then Subtenant shall notify Sublandlord in writing, and this Sublease shall terminate and be of no further force and effect and both Parties shall be relieved of liability hereunder, and the Deposit shall be returned in full to Subtenant. Notwithstanding anything to the contrary contained in this Sublease, is no event shall the Rent Commencement Date occur before MED Approval.
6. **CONDITION OF PROPERTY.**
- 6.1 **No Warranties.** Subtenant hereby acknowledges and agrees that it is subleasing the Premises and each portion thereof in its present "as is, where is, with all faults" condition with all existing defects, and neither Sublandlord nor any employee or agent of Sublandlord has made or will make, either expressly or impliedly, any representations, guaranties, promises, statements, assurances or warranties of any kind except as expressly stated in this Sublease. Subtenant has had the opportunity to inspect the Premises. Subtenant accepts the Premises with the understanding that it shall have the exclusive obligation to remedy, at its sole cost, any defects, repairs, or maintenance issues related to the Premises. Sublandlord disclaims, and Subtenant waives, all warranties not expressly contained in this Sublease, including the implied warranties of merchantability and fitness for a particular purpose.
- 6.2 **Access.** Provided that Subtenant provides Sublandlord a certificate of insurance in the amounts stated in Article 16 naming Sublandlord as a named insured and Subtenant has provided Sublandlord at least two (2) business days' notice in writing, Sublandlord hereby authorizes Subtenant to enter the Premises during business hours after the full execution and delivery of this Sublease and through the Closing for the purposes of performing investigations and due diligence permitted under the APA. Sublandlord shall have the right, but not the obligation, to accompany or have its agent or designee accompany Subtenant during its time on the Premises. Any verbal statements made by Sublandlord, its agent, or designee during any visit shall not be deemed to be representations or warranties of Sublandlord. Subtenant's activities under this Section 6.2 must be conducted in accordance with MED regulations, and Subtenant shall not interfere with Sublandlord's business activities at the Premises by reason of inspections conducted under this Section 6.2. Except as otherwise expressly set forth herein, Subtenant shall indemnify and hold Sublandlord harmless from any and all liens, claims, demands, liabilities to third parties, damages and costs, including reasonable attorneys' fees, arising out of or resulting from any activity of or omission by Subtenant, its agents, employees or representatives pursuant to this Article 6, excluding losses, costs, and expenses suffered or incurred by Sublandlord as a result of any conditions discovered by Subtenant. This indemnity shall survive the expiration or earlier termination of this Sublease for any reason. No such early access to the Premises shall affect the determination of the Rent Commencement Date.
7. **ENVIRONMENTAL MATTERS.** Each Party ("**Indemnitor**") agrees to protect, indemnify, and hold harmless the other Party and its members, managers, contractors, employees, agents, successors and assigns from and against any and all loss, damage, cost, expense or liability, including, without limitation, the cost of any investigation, remediation, removal or other response action required by applicable laws and regulations, and expenses, including, without limitation, reasonable attorneys' fees and costs, directly or indirectly arising out of or in any way attributable to the acts or omissions of the Indemnitor or its agents, contractors, servants, or employees relating to the use, treatment, generation, manufacture, production, storage, release, threatened release, discharge, or disposal of a Hazardous Material, as defined below, on, under, or about the Premises. The Parties' obligations pursuant to the foregoing indemnity shall survive the expiration or earlier termination of this Sublease. For purposes of this Sublease, the term "Hazardous Material" shall mean actionable quantities of: any oil or hazardous waste as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 629, *et seq.*; any hazardous substance as defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. § 9601, *et seq.*; and/or any hazardous material as defined in the Hazardous Material Transportation Act, 49 U.S.C. § 1801, *et seq.*; or as any of the foregoing are defined in any other federal law, in any applicable state or local law, or in any regulations pursuant to any of the foregoing statutes or other laws.

**8. LEASEHOLD TITLE POLICY.**

**8.1 Title; Survey.** Subtenant may, at Subtenant's expense, obtain through Land Title Guarantee Company or a title company acceptable to Subtenant ("**Title Company**") preliminary title documentation for extended coverage leasehold title insurance. A preliminary title commitment shall be issued giving the current condition of title to the Premises, together with copies of all instruments necessary to fully explain the scope and effect of any matters listed as exceptions in the title commitment whereby Title Company is bound to issue to Subtenant or its nominee, for an amount acceptable to Subtenant, an A.L.T.A Title Insurance Policy acceptable to Subtenant, with an extended coverage ("**Title Policy**").

**8.2 Title Objections.** Sublandlord shall collaborate in good faith with Subtenant, at no out of pocket cost to Sublandlord, to remove or limit exceptions to the Title Policy. Sublandlord makes no representation, warranty, assurance, or guaranty that it can or will take any actions related to the exceptions on the Title Policy. Out of pocket costs for purposes of this Section 8.2 include reasonable attorneys' fees.

**9. USE; PARKING.**

**9.1 Use.** During the Term, Subtenant may use the Premises for any purpose permitted by applicable zoning laws and regulations. Nothing in this Sublease shall require Subtenant to continuously operate a business at the Premises. Subtenant's use of the Premises will be in compliance with all federal laws, rules and regulations, including the Americans with Disabilities Act, but except and excluding federal laws relating to the regulation and sale of marijuana, and all state, county and municipal or other local codes, regulations, requirements and ordinances applicable to the Premises, including any requirements of the local fire marshal and/or building inspector.

**9.2 Parking.** During the Term of this Sublease, Subtenant may utilize all Parking on the Premises including, twenty-four (24) hours a day, seven (7) days a week. Subtenant shall hold Sublandlord harmless from any claim or damage arising from its use of the Premises for parking, including costs and reasonable attorneys' fees.

**10. UTILITIES.** Subtenant agrees to pay all charges for gas, electricity, telephone, sewer, water, and any other utilities used by Subtenant on the Premises. Subtenant will be responsible for ensuring that all utilities are separately metered and billed to the Subtenant. Subtenant shall pay all charges for utilities to the Premises from and after the Rent Commencement Date through the termination or expiration of the Term. If Sublandlord receives utility billing statements, Sublandlord shall immediately forward same to Subtenant for payment and shall cooperate with Subtenant to facilitate having such statements thereafter sent directly to Subtenant. In the event Subtenant fails to pay such utility charges, Sublandlord may, but has not obligation to, pay the utilities on behalf of the Subtenant. Sublandlord may invoice Subtenant for this payment, which Subtenant shall pay Sublandlord within fifteen (15) days of receipt of the same. The invoice may include a fee of up to three percent (3%) of the total amount paid in order to fairly compensate Sublandlord for its time and costs.

**11. REPAIRS AND MAINTENANCE.** At all times, Subtenant shall keep the Premises, Parking, and Building in a neat, clean, and sanitary condition, keep the glass of all windows and doors clean and presentable, and keep the Building in a good state of repair. Subtenant will maintain and repair the walls, roof, and other structural components and building systems of the Building and will be responsible for repair and maintenance of the interior portion of the Building and all painting, exposed electrical, plumbing and other utility systems, doors, glass and all of Subtenant's personal property. Subtenant shall keep in good order, condition, and repair all heating and air conditioning equipment ("**HVAC**") for the Building and shall pay all costs and expenses with respect to the repair, replacement and maintenance of HVAC for the Building. Subtenant shall also reasonably maintain, operate and repair the utility systems within the Building, including the cost of connection to the utility distribution systems. Subtenant shall maintain the Premises, Parking, and Building in such a way that it complies with relevant local law as it relates to the removal of snow and ice. This Sublease is intended and shall be construed to be a "triple net lease" and, except as may be specifically provided in this Sublease, Subtenant assumes all responsibilities, duties, obligations, costs or expenses of any nature or any kind whatsoever, with respect to the operation, management, maintenance, repair, improvement, use or occupancy of the Premises. Notwithstanding the foregoing, in the absence of an agreement with the Sublandlord to contribute its pro rata share or amortized costs based on the Internal Revenue Service's stated useful life of the applicable assets against the remaining Initial Term or Extended Term of the Sublease, Subtenant shall not be obligated to replace or incur significant repair costs to the walls, roof, electric, plumbing, utility, and HVAC systems (Major System(s)) within three (3) years of the expiration of the Term of the Sublease, except as is necessary to prevent an abandonment determination by the City of Glendale and as provided in Section 37.20, or to maintain the Building sufficient to provide for the continuous operation of Subtenant's then-existing business, if any; provided, however, this provision only applies when accompanied by a notice of Subtenant of intent not to extend the Sublease beyond the Initial Term or any Extended Term.

12. **ALTERATIONS.** During the Term of the Sublease, Subtenant may install signs, machinery, and personal property and make such alterations and improvements to the Building as Subtenant may deem advisable, provided the same does not (i) increase the total square footage of the Building or (ii) alter the parking requirements under applicable zoning laws (each a “**Minor Alteration**”). All Minor Alterations shall be made in a good and workmanlike manner and in compliance with applicable laws and ordinances, including the limitations imposed by local building laws and governmental requirements. In the event Subtenant desires to make an alteration that would either (i) increase the total square footage of the Building or (ii) create a change in the parking requirements under applicable zoning laws, including outdoor square footage such as a patio or roof, Subtenant shall receive written approval from Sublandlord, which shall not be unreasonably withheld. Upon the termination or expiration of this Sublease, the Building, excluding Subtenant’s personal property, equipment and Fixtures (defined below) only, shall be the exclusive property of Sublandlord.
13. **SIGNS.** Subtenant may, in its discretion, install and maintain signage on the Building or Premises provided the signage does not violate any applicable law or controlling regulation.
14. **TRADE AND OTHER FIXTURES.** Subject to the approval of applicable Governmental Authorities and the acquisition of any required permits, Subtenant may install or cause to be installed at its expense such equipment and trade and other fixtures as are reasonably necessary for the operation of its business (“**Fixtures**”). All Fixtures, whenever installed, shall remain the personal property of Subtenant, and title thereto shall continue in Subtenant, regardless of the manner in which they may be attached or affixed. Subtenant, at Subtenant’s expense, may at any time during the Term and/or upon the expiration of the Term or earlier termination of this Sublease, remove all or any portion of the Fixtures; provided, however, Subtenant shall not remove the HVAC, any lights or sign structures or structural elements, which shall become the property of Sublandlord without warranty from the Subtenant. Subtenant shall repair any damage to the Premises caused by installation or removal of any Fixtures. Any Fixtures, equipment, furniture, inventory, or other property not removed by Subtenant as set forth in this Sublease following the expiration or earlier termination of the Sublease shall be deemed abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Sublandlord without written notice to Subtenant or any other person and without obligation to account for them or to pay any proceeds to Subtenant for such items. Subtenant will pay Sublandlord for all reasonable and documented expenses incurred in connection with the removal of such property (including, but not limited to, the cost of repairing any damage to the Building, the Parking, or the Premises caused by the removal of such property), plus an administrative fee equal to the greater of Five Hundred and 00/100 Dollars (\$500) or ten percent (10%) of such reasonable and documented expenses incurred by Sublandlord. Subtenant agrees to provide documentation as Sublandlord may reasonably request in connection with such transfer of the property to Sublandlord.
15. **PERMITS/LICENSES.** Subtenant shall apply for and obtain, at Subtenant’s sole cost and expense, all permits and licenses required in connection with the operation of the Premises for Subtenant’s business, and for the completion of any alterations or improvements performed by the Subtenant during the Term. During the Term, Sublandlord hereby grants to Subtenant, at Subtenant’s sole cost and expense, the right to apply for and obtain, in Sublandlord’s name or otherwise, any permits or licenses required by applicable Governmental Authorities necessary or desirable for Subtenant (i) to undertake any construction and/or perform maintenance, remodeling, alterations and repairs at the Premises, and (ii) to otherwise use the Premises in accordance with the terms and conditions of this Sublease and Sublandlord agrees to execute any documents reasonably requested by Subtenant in connection therewith. Any additional fees and expenses including, without limitation, fees assessed by the Prime Landlord in connection with any permits, licenses or any other approvals sought by Subtenant shall be borne at Subtenant’s sole cost and expense. If requested by Subtenant, Sublandlord shall approach Prime Landlord for consent if required for Subtenant to obtain any such permits and licenses.
16. **INSURANCE: RESTORATION OF DAMAGE.**
- 16.1 **Subtenant’s Insurance.** Subtenant agrees to purchase, in advance, and to carry in full force and effect from the date Subtenant accesses the Premises through the Term of this Sublease, at its sole expense, the following insurance:



- A. Property insurance against loss by fire and other hazards covered by the so-called “all-risk” or “special form” policy on a full replacement cost basis covering the Premises.
- B. Commercial general liability insurance covering all acts of Subtenant, its employees, agents, representatives, and guests on or about the Premises, in a combined single limit amount of not less than Two Million and No/100 Dollars (U.S. \$2,000,000.00), which policy shall include, but not be limited to, coverage for bodily injury, property damage, personal liability, and contractual liability applying to this Sublease.
- C. Such property insurance on Subtenant’s own Fixtures, inventory and other personal property of Subtenant as Subtenant determines to be appropriate.
- D. In the event Subtenant serves alcohol on the Premises, so-called “dramshop” insurance in an amount consistent with industry standards.
- E. Flood insurance on the Building if the Premises is federally designated as a “special flood hazard area”.

Subtenant may maintain reasonable deductibles on the insurance required by this Section 16.1. All of Subtenant’s insurance required to be furnished pursuant to Section 16.1 (A), (B), (D), and (E) shall name Sublandlord and Sublandlord’s lender as a named insured to the extent of Subtenant’s indemnification obligations set forth in Section 16.1. The insurance Subtenant is required to maintain pursuant to Section 16.1 (A) and (E) shall name Sublandlord and Sublandlord’s lender as a named insured to the extent their interests appear. Subtenant’s coverages will be primary and any coverage maintained by Sublandlord will be secondary and solely for Sublandlord’s benefit if Sublandlord elects to maintain any coverage. All of Subtenant’s insurance shall provide for thirty (30) days written notice to Sublandlord prior to cancellation or non-renewal. Certificates of all such insurance shall be delivered to Sublandlord prior to the earlier of (i) the date Subtenant desires to access the Premises under Section 6.2 or (ii) within thirty (30) days of the Rent Commencement Date and upon written request by Sublandlord. If Subtenant fails to comply with the requests of this Section 16.1, Sublandlord may, but shall not be obligated to, obtain such insurance and keep the same in effect and Subtenant shall pay Sublandlord the premium therefor upon demand until such time that Subtenant conforms with its insurance requirements set forth in this Section 16.1.

- 16.2 Sublandlord’s Insurance.** Sublandlord has no obligation under the Sublease to maintain insurance on the Premises but may, in its sole discretion, maintain such insurance as it deems appropriate for Sublandlord’s purposes.
- 16.3 General Insurance Requirements.** If any insurance required hereunder ceases to be available, or is available on terms so unacceptable that prudent tenants in the state of Colorado generally do not carry such insurance, then, in lieu of such insurance, Subtenant may carry the most comparable insurance which is available and generally carried by prudent parties. All policies of insurance required under this Article 16 may be in the form of blanket or umbrella policies. Further, all insurance required hereunder shall be issued by financially responsible insurers.
- 16.4 Restoration of Damage to Building or Premises.** Subject to the provisions of the following paragraph, in the event of any casualty to the Building on the Premises, Subtenant shall use the insurance proceeds to alter, repair, demolish and construct new improvements on, restore or replace the damaged or destroyed Building, in whole or in part, as applicable (“**Restoration**”). Rent shall not be abated during the period of Restoration. If fire or other casualty during the last three (3) years of the Term causes damage to the Building in an amount exceeding fifty percent (50%) of its full construction -replacement cost, Subtenant may elect to terminate this Sublease by giving written notice of such termination to Sublandlord within sixty (60) days following the date of damage, in which case any insurance proceeds relating to the construction or replacement of the Building shall be paid to Sublandlord.

The full amount of proceeds of Subtenant’s property/casualty insurance on the Building that are payable on account of the casualty, except and excluding loss of business income insurance proceeds, will be held as a restoration fund for reconstruction purposes (“**Restoration Fund**”). The Restoration Fund will be made available to pay the costs of such Restoration. Subtenant will be required to obtain Sublandlord’s approval as to Subtenant’s settlement with its insurer of the casualty claim and keep Sublandlord informed as to the status of settlement of the claim for any casualty to the Building.

Subtenant will not be required to incur costs for the Restoration in excess of the Restoration Fund proceeds, but will cause the Building, to the extent feasible, to be restored: (i) to a condition appropriate to permit continuation of business operation, and (ii) substantially the same value and utility as immediately before the casualty, to the extent feasible taking into consideration, among other matters, the amount of the Restoration Fund. In no way shall this provision be construed to oblige Sublandlord to pay for the cost of Restoration. In the event the Restoration Fund exceeds the cost of the Restoration, such excess shall be paid to, and retained by, Subtenant.

**16.5 Waiver of Claims and Subrogation.** Notwithstanding any other provision in this Sublease to the contrary, to the extent possible without invalidating or decreasing the coverage under their respective insurance policies, Sublandlord and Subtenant hereby release one another from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to the extent covered by the policies of insurance required to be maintained under this Sublease or under any other policies of insurance actually maintained by the Party, whichever is applicable, even if such loss or damage has been caused by the fault or negligence of the other Party, or anyone for whom such Party may be responsible, which loss or damage: (i) is caused by a peril required by this Sublease to be covered by the insurance of the Party incurring the loss; or (ii) if insured for a greater amount than required, to the extent of the recovery under any property insurance policy covering the Party incurring the loss. Each Party, to the extent applicable, shall apply to their insurers to obtain such waivers, to the extent necessary, and each Party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

**17. REPRESENTATIONS AND WARRANTIES OF SUBLANDLORD.** For purposes of this Agreement, “Sublandlord’s knowledge” or similar phrases shall mean the actual knowledge of Lindsey Mintz, Deborah Dunafon and Ralph Riggs without duty of inquiry. Except as otherwise disclosed in writing to Subtenant, Sublandlord hereby represents and warrants that the following are true and correct as of the Effective Date and as Sublandlord shall reaffirm the same Closing:

**17.1 Authorization.** Sublandlord has full right, power and authority to execute, deliver, and perform this Sublease.

**17.2 No Other Agreements.** Sublandlord has not entered into any leases, notes, security agreements, financing statements, deeds of trust, licenses, service contracts, warranties, assignments, or other agreements or instruments affecting the Premises.

**17.3 Compliance.** Sublandlord has not received written notice of any failure to comply with all applicable laws, ordinances, regulations, and restrictions relating to the zoning of the Premises and Sublandlord has not received written notice of any violation of any law, order, or requirement issued by any local, state, or federal governmental or quasi-governmental authority having jurisdiction over the Premises (each and collectively, “Governmental Authority”) against or affecting all or any portion of the Premises.

**17.4 No Condemnation or Special Assessments.** Sublandlord has not received written notice of any pending, threatened or contemplated condemnation or similar proceedings or any special assessment affecting the Premises by any Governmental Authority.

**17.5 No Liens.** Sublandlord has not received written notice that there are unpaid charges, liabilities, or obligations arising from the construction, ownership, or operation of the Premises which could give rise to any mechanic’s or materialman’s or other statutory lien against the Premises.

- 17.6 **No Other Permitted Exceptions.** There exists no judicial, quasi-judicial, administrative, or other proceedings or court order, unrecorded deed restriction, or restrictive covenant, or other private limitation which might in any way impede or adversely affect the use of the Premises by Subtenant.
- 17.7 **No Breach or Default.** Performance of this Sublease shall not result in any breach, or constitute any default under, or result in the imposition of any lien or encumbrance upon the Premises under any agreement or other instrument to which Sublandlord or the Premises might be bound, except those agreements that are to be assigned to Subtenant under this Sublease.
- 17.8 **No Uncured Notices.** There are no uncured notices which have been served by any Governmental Authority to Subtenant for any violations of law, rules, or regulations, including, without limitation, violations of environmental or drainage laws, rules, or regulations.
- 17.9 **No Hazardous Wastes.** Sublandlord has not used the Premises or any portion of the Premises as a waste dump, waste treatment facility, or for the underground storage of oil or Hazardous Materials. Sublandlord has not knowingly caused there to be, and is unaware of, any Hazardous Materials located upon or below the surface of the Premises.
- 17.10 **No Foreign Person.** Sublandlord is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code of 1954.

18. **REPRESENTATIONS AND WARRANTIES OF SUBTENANT.** Subtenant represents and warrants that, except as previously disclosed to Sublandlord in writing, Subtenant has full right, power and authority to execute, deliver, and perform this Sublease, that the individual executing this Sublease on behalf of Subtenant is fully empowered and authorized to do so, that this Sublease constitutes a valid and legally binding obligation of Subtenant enforceable against Subtenant in accordance with its terms, that such execution, delivery, and performance will not contravene any legal or contractual restriction binding upon Subtenant or any of its assets and that there is no legal action, proceeding, or investigation of any kind now pending or, to the knowledge of Subtenant, threatened against or affecting Subtenant or the execution, delivery, or performance of this Sublease, and Subtenant has the full right, power and authority to consummate this Sublease. Subtenant is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code of 1954. “**Subtenant’s knowledge**” or similar phrasing means the knowledge of Dan Pabon, General Counsel, who Subtenant represents is best suited to make the representations and warranties contained in this **Article 18.**

19. **INDEMNIFICATION BY PARTIES.**

- 19.1 **Indemnification by Subtenant.** From the Effective Date through the expiration or termination of this Sublease, Subtenant agrees to protect, defend, indemnify and hold Sublandlord harmless against:
- A. Any and all claims, actions, damages, liability, causes of action, judgments, liens, costs and expenses, including reasonable attorney’s fees, in connection with injury or loss of life to person, or damage to property arising out of the use, occupancy or operation of Subtenant’s business in the Premises or the condition of the Premises except to the extent caused by the gross negligence or willful misconduct of Sublandlord;
  - B. Any breach or default by Subtenant in the performance of any term of this Sublease on Subtenant’s part to be performed; or

- C. Any action or inaction of Subtenant, its agents, concessionaires, contractors, employees or licensees in or about the Premises.

In the event Sublandlord shall be made a party to any litigation or proceeding commenced by or against Subtenant with respect to the matters indemnified under this Section 19.1, except with respect to suits or litigation commenced by Subtenant against Sublandlord as a result of a breach of this Sublease by Sublandlord, then Subtenant shall protect and hold Sublandlord harmless and shall pay all costs and expenses and reasonable attorneys' fees incurred or paid by Sublandlord in connection with such litigation or proceeding and shall satisfy any lien, judgment or fines that may be entered against Sublandlord in such litigation or proceeding.

- 19.2 Indemnification by Sublandlord.** Subject to the limitations stated below, Sublandlord hereby agrees to protect, defend, indemnify and hold Subtenant harmless against any and all claims, actions, damages, liability, causes of action, judgments, liens, costs, and expenses in connection with injury or loss of life to person, or damage to property, arising solely out of any breach or default by Sublandlord in the performance of any term of this Sublease on Sublandlord's part to be performed, arising solely from any negligent action or negligent inaction of Sublandlord, its agents, concessionaires, contractors, employees or licensees in or about the Premises, arising solely from Sublandlord's breach of the Prime Lease which was not caused in whole or in part by Subtenant's breach of this Sublease and arising from any breach of any representation or warranty of Sublandlord contained in this Sublease. In the event Subtenant shall be made a party to any litigation or proceeding commenced by or against Sublandlord, with respect to the matters indemnified under this Section 19.2, except with respect to suits or litigation commenced by Sublandlord against Subtenant as a result of a breach of this Sublease by Subtenant, or by Prime Landlord against Subtenant and Sublandlord as a result of a breach of this Sublease by Subtenant, then Sublandlord shall protect and hold Subtenant harmless and shall pay all costs and expenses and reasonable attorneys' fees incurred or paid by Subtenant in connection with such litigation or proceeding and shall satisfy any judgment or fines that may be entered against Subtenant in such litigation or proceeding.

Sublandlord shall not be liable for any loss or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building, or from the pipes, appliances or plumbing works therein or from the roof, street or subsurface or from any other place resulting from dampness or any other cause whatsoever, unless caused by or due to the sole gross negligence of Sublandlord, its agents, servants or employees. Gross negligence or willful misconduct by Sublandlord shall be limited to those circumstances where Sublandlord or its employees and/or representatives are actually present on or about the Premises, and shall, therefore, not apply to claims arising from the condition of the Premises or the Subtenant's operation of its business thereon.

- 20. ASSIGNMENT.** Subtenant may assign this Sublease or any of its rights hereunder without Sublandlord's prior written consent, provided (i) Subtenant shall promptly notify Sublandlord of any such assignment, (ii) Subtenant shall remain responsible for all liabilities and responsibilities of Subtenant under this Sublease; (iii) the assignment document shall be executed by the assignee and shall provide for the assumption by the assignee of all of Subtenant's duties and obligations hereunder; and (iv) a copy of the assignment document, with the original signatures of Subtenant and the assignee, shall be furnished to Sublandlord within seven (7) days after the occurrence of any such assignment. Notwithstanding the foregoing Subtenant's rights of assignment, Subtenant may not, without Sublandlord's prior written consent, grant a full assignment of the Sublease to the owner or operator of any real property that is physically adjacent to the Premises (collectively, "Owner"); provided, however, this restriction shall not prohibit Subtenant from granting license or contract rights to an Owner, without prior written consent of the Sublandlord, for use of portions of the Premises for parking.

Subtenant may not sublease the Premises without Sublandlord's prior written consent; provided that Sublandlord may only withhold consent in the event that (i) the proposed subtenant does not agree to after-hours parking arrangements with adjoining property, (ii) the proposed subtenant is unable to make the Subtenant's representations and warranties stated in this Agreement, or (iii) the Subtenant's sublessee's primary business is one that is not regulated by the MED. Sublandlord's failure to provide approval or disapproval within ten (10) days of request shall be deemed approval. Any purported assignment or sublease in violation of this Section shall be deemed void *ab initio*.

## **21. EMINENT DOMAIN.**

- 21.1 Termination of this Sublease.** If pursuant to the exercise of the right of condemnation or eminent domain (i) the Premises is taken or conveyed under threat of the exercising of such right, (ii) only a portion of the Premises, is so taken or conveyed and Subtenant determines in its reasonable business judgment, that the remainder of the Premises is inadequate or unsatisfactory for its purposes, or (iii) Subtenant's access to the Premises is reduced by such taking or conveyance and Subtenant determines in its reasonable business judgment, that its access to the Premises is inadequate or unsatisfactory for its purposes, Subtenant shall have the right to terminate this Sublease, subject to Subtenant's rights as set forth below. Such termination shall be effective on the date Subtenant is required to give up its occupancy, use, or access, whichever is earlier. The termination of this Sublease as provided above shall not operate to deprive Subtenant of the right, and Sublandlord expressly grants to Subtenant the right, to make a claim for an award in condemnation, or participate in an award, for loss of business goodwill, relocation expenses, Subtenant's leasehold interest and/or lease bonus value, loss or damage to Fixtures and improvements made by Subtenant to the Premises, the value of Subtenant's unexpired options to extend the Term, or any other claims that Subtenant is permitted or elects to make, or to receive notices and participate in the condemnation proceedings, including any settlement negotiations, whether conducted prior to or after the filing of a condemnation proceeding. Subtenant's rights under this Section 21.1 shall survive the expiration or earlier termination of this Sublease.
- 21.2 No Termination of this Sublease.** If this Sublease is not terminated as provided in this Article 21, Sublandlord and Subtenant shall agree upon an equitable reduction in the Rent. If the Parties fail to agree upon such reduction within sixty (60) days from the date Subtenant is required to give up such occupancy, use or access, whichever is earlier, Sublandlord and Subtenant shall each choose one arbitrator and the two arbitrators so chosen shall choose a third arbitrator. The decision of any two of the arbitrators concerning the Rent reduction, if any, shall be binding on Sublandlord and Subtenant and any expense of the arbitration shall be divided equally between Sublandlord and Subtenant. Any such reduction in Rent shall not constitute an election of remedies by Subtenant nor deprive Subtenant of the right to make a claim for an award in condemnation as set forth above or receive notices and participate in the condemnation proceedings, including any settlement negotiations. Any reduction in Rent shall remain subject to escalation in Sections 4.3 and 4.4.

## **22. SURRENDER OF PREMISES; HOLDOVER TENANCY.**

- 22.1 Ownership of Building; Surrender of Premises by Subtenant.** On expiration or termination of this Sublease, Subtenant shall surrender the Premises to Sublandlord in good repair, operating condition, working order, and appearance, subject to reasonable wear and tear and any HVAC or utility limitations on maintenance and casualty losses as provided in this Sublease. Subtenant's obligation to repair or replace the walls, roof, electric, plumbing, utility systems, and HVAC is subject to the limitations in contained herein. Notwithstanding anything in this Sublease which may be interpreted to the contrary, all of Subtenant's identification signage, FF&E, trade fixtures, Fixtures, and personal property shall remain the sole property of Subtenant and may be removed by it upon such expiration or termination of this Sublease. Subtenant will restore any physical damage caused by such removal. Any property of Subtenant not so removed within fifteen (15) days following the expiration or earlier termination of this Sublease shall be deemed abandoned by Subtenant and shall become the property of the Sublandlord.
- 22.2 Holding Over.** In the event Subtenant remains in possession of the Premises or any part thereof after termination or expiration of this Sublease, Subtenant shall be deemed to be occupying the Premises as a Subtenant on a month-to-month basis ("**Hold Over Period**") at a monthly Rent equal to one hundred twenty-five percent (125%) of the last monthly installment of Rent payable during the Term ("**Hold Over Payment**"). If Sublandlord and Subtenant are in good faith negotiation during the Hold Over Period, and an agreement is consummated between the Parties to continue a Sublandlord/Subtenant relationship, all rental payments under the new agreement ("**New Rental Payments**") shall be retroactive to the first day of the Hold Over Period. Any Hold Over Payment made by Subtenant in excess of the New Rental Payments shall be a credit to the New Rental Payments first coming due, and any deficiency between the New Rental Payments and the Hold Over Payments made during the Hold Over Period shall be paid by Subtenant to Sublandlord with the first New Rental Payments. All other conditions, provisions and obligations of this Sublease shall remain the same and in full force and effect.

## 23. DEFAULT.

- 23.1 **Subtenant's Monetary Default.** If Subtenant fails to pay Sublandlord Rent or other sum to be paid to Sublandlord within five (5) days after receipt of written notice of delinquency from Sublandlord, Subtenant will pay Sublandlord \$500.00 (the "**Late Charge**"). Subtenant agrees that in the event of any such late payment by Subtenant, the damages resulting to Sublandlord will be difficult to ascertain precisely, and that the Late Charge constitutes a reasonable and good faith estimate by the Parties of the extent of such damages. Such costs may include without limitation, administrative costs, processing and accounting charges, and late charges which may be imposed on Sublandlord. Acceptance of a Late Charge by Sublandlord shall not constitute a waiver of Subtenant's default with respect to such overdue amount, nor prevent Sublandlord from exercising any of its rights or remedies hereunder.
- 23.2 **Other Subtenant Default.** Subtenant shall be in default of this Sublease for failure to abide by any of its terms. In the event of default, Sublandlord shall provide Subtenant with notice of Subtenant's default and Subtenant shall have thirty (30) days from receipt of such notice to cure the same, or if the default or breach is of such character as to require more than thirty (30) days to cure, then Subtenant shall have thirty (30) days to commence such cure and thereafter diligently proceed to cure such default within sixty (60) days. Should Subtenant fail to cure such default within thirty (30) days (or sixty (60) days, as applicable) after receipt of such notice, Sublandlord shall have the right to exercise one of the following options:
- A. Sublandlord may declare the forfeiture of this Sublease by sending Subtenant written notice thereof ("**Termination Notice**"). Ten (10) days after receipt of a Termination Notice and continuing failure of Subtenant to cure, this Sublease shall expire and terminate as fully and completely and with the same effect as if that date were fixed for the expiration of the Term and all rights of Subtenant, including occupancy of the Premises, shall expire and Subtenant shall be relieved of all liability for any future Rent or any other sums otherwise due from the date of such termination; or
  - B. Sublandlord may reenter and repossess the Premises, removing all persons therefrom without prejudice to any remedies for arrears of monthly Rent or claims for future Rent or any other sums otherwise due, or breach of any other covenants hereunder. Within a reasonable period of time following such reentry and repossession, Sublandlord shall make all reasonable efforts to relet the Premises for the account of Subtenant on such terms and conditions and for such uses as Sublandlord may reasonably determine in an effort to mitigate Sublandlord's damages as a result of Subtenant's default hereunder. Sublandlord shall collect and receive any Rent or any other sums otherwise due which may be payable by reason of such reletting. Subtenant shall be liable for and pay to Sublandlord all monthly Rent or any other sums otherwise due up to and including the date of such reentry and repossession; and, thereafter, Subtenant shall, until the end of what would otherwise have been the then current Term, be liable to Sublandlord for and shall pay to Sublandlord, all monthly Rent or any other sums otherwise due less the net proceeds of any reletting as set forth herein, after deducting from such proceeds all of Sublandlord's reasonable expenses incurred in conjunction with such reletting. Subtenant shall pay such monthly Rent or any other sums otherwise due on the days on which they would be payable hereunder in the absence of Subtenant's default;
  - C. Sublandlord may cure the default and Subtenant shall promptly reimburse Sublandlord for any reasonable and documented expenses incurred by Sublandlord, plus interest at the rate of four percent (4%) per annum from the date of expenditure until reimbursement; or
  - D. Sublandlord may pursue any and all remedies available at law or in equity.

**23.3 Sublandlord's Default.** If Sublandlord defaults in the performance of any of the terms, covenants and conditions of this Sublease or breaches any representation or warranty contained in this Sublease, Subtenant shall promptly notify Sublandlord in writing. If Sublandlord fails to cure such default or breach within thirty (30) days after receipt of such notice, or if the default or breach is of such character as to require more than thirty (30) days to cure and Sublandlord fails to commence to cure within thirty (30) days after receipt of such notice and thereafter diligently proceed to cure such default within sixty (60) days then, in either such event Subtenant, at its option and to the extent permitted by the law of the jurisdiction in which the Premises are located, may do the following:

- A. Cure such default and setoff or deduct any expense so incurred from the Rent or other amounts due;
- B. Cancel and terminate this Sublease; and/or
- C. Pursue any and all remedies available at law or in equity, including bringing an action against Sublandlord for actual damages and attorneys' fees.

Failure by Sublandlord to reimburse any overpayments by Subtenant of Rent or other charges, within twenty (20) days after receipt by Sublandlord of notice of such overpayment and documentation evidencing same, shall constitute a default by Sublandlord hereunder.

**24. RIGHT OF FIRST OFFER/OPTION.** If (a) Prime Landlord notifies Sublandlord of Prime Landlord's decision to market the Premises for sale as set forth in Section 25 of the Prime Lease, or (b) Sublandlord decides to market its interest in the Premises for sale (in either case, an "Offer to Sell"), Sublandlord shall notify Subtenant within one (1) day of Prime Landlord's notice, or Sublandlord's decision to market, as applicable. Furthermore, if Subtenant does not elect to purchase the Premises within five (5) business days of Prime Landlord's notice, or if Sublandlord decides to market its interest in the Premises, Sublandlord shall, in either case, use commercially reasonable efforts and to the extent possible, grant Subtenant an option to purchase the Premises from Prime Landlord or Sublandlord's interest in the Premises on the same terms and conditions as provided in the Offer to Sell. Sublandlord makes no guaranty, representation, or warranty as it relates to Sublandlord's ability to provide Subtenant with Sublandlord's right to exercise the Offer to Sell. The Offer to Sell purchase price shall not exceed the price upon which the Premises is subsequently listed for sale to third parties; provided, however, the purchase price to Subtenant shall be reduced by any real estate commissions Prime Landlord or Sublandlord would be obligated to pay by contract pursuant to a sale to a third party but which Prime Landlord or Sublandlord shall not be obligated to pay upon a sale to Subtenant. Sublandlord shall give Subtenant written notice of the terms and conditions of the Offer to Sell, enclosing a copy of the applicable offer and all other information and documentation reasonably necessary for Subtenant's consideration of such offer ("**Offer Package**"). Subtenant may exercise the option to purchase the Premises by notice served on the Sublandlord at any time within ten (10) days after receipt of the Offer Package. Unless otherwise agreed by the Parties, closing on the Offer to Sell shall occur, at the Subtenant's election, no earlier than thirty (30) days and no later than ninety (90) days after Subtenant's acceptance of the Offer to Sell.

**25. INTENTIONALLY DELETED.**

26. **TAXES.**

26.1 **Taxes Defined.** For the purposes of this Sublease, the term “**Taxes**” shall include any form of assessment, license fee, license tax, commercial rent tax, levy, charge, tax or similar imposition imposed by any authority having the direct power to tax, including any city, county, state, or federal government, or any school, agricultural, lighting, drainage or other improvement or special assessment district thereof, as against any legal or equitable interest of Prime Landlord or Sublandlord in the Premises including, but not limited to, the following:

- A. Any tax on Sublandlord’s or Prime Landlord’s right to rental income from the Premises or as against Sublandlord’s business of leasing the Premises, but shall not include any general income, capital gains income, franchise, excise, gift, estate, inheritance, gift, devolution or succession, excess profits, capital stock, capital levy or documentary transfer tax of Sublandlord or Prime Landlord arising out of Sublandlord’s Prime Landlord’s rights in the Premises;
- B. Any assessment, tax, fee, levy or charge in substitution, partially or totally, of or in addition to any assessment, tax, fee, levy or charge previously included within the definition of Taxes, it being acknowledged by Subtenant and Sublandlord that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as police protection, fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Subtenant and Sublandlord that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Taxes for the purposes of this Sublease;
- C. Any tax, fee or charge on the operation and the use of the Premises imposed by the United States Environmental Protection Agency or any other Governmental Authority; and
- D. Subtenant’s obligation to pay Taxes are subject to the following: (i) Subtenant will pay the Taxes on or before the due date of the Taxes and will, on request by Sublandlord, provide proof of payment to Sublandlord; and (ii) the Parties will cooperate on having all statements for Taxes for the Premises sent directly to Subtenant, if feasible. If any statement of Taxes is sent to Sublandlord, Sublandlord will promptly forward a copy to Subtenant.

26.2 **Real Property Taxes.** During the Term, Subtenant will pay or cause to be paid, directly to the Arapahoe County Treasurer, or such other public official authorized by law to receive such payments, prior to delinquency, Taxes levied or assessed against the Premises and Building provided that Sublandlord sends Subtenant copies of tax bills immediately upon receipt. Taxes will be prorated between the Parties for any partial year at the Rent Commencement Date and expiration or other termination of this Sublease.

26.3 **Payment in Installments.** If the Taxes, including any special assessments or local improvement district assessments, are payable in installments, only installments coming due during the Term will be the responsibility of Subtenant under this Sublease. If either Party’s consent is required to cause the bonding of any assessment or to contest any Taxes, the Party will not unreasonably withhold or delay its consent upon request. Sublandlord warrants and represents to Subtenant that, to the best of Sublandlord’s knowledge, the Premises are not presently subject to any general or special assessments, and to the best of Sublandlord’s knowledge, there are no special or general assessments presently contemplated to come into effect against the Premises during the Term of this Sublease, but this shall not excuse Subtenant from its obligation to pay said amounts.



- 26.4 Right To Contest.** Subtenant will be permitted to contest any valuation of the Premises or Building for the purpose of the assessment or levy of Taxes, the amount of any Taxes, or any lien or other charge on the Premises claimed or asserted by any party other than Sublandlord. Sublandlord agrees to reasonably cooperate in Subtenant's efforts to do so. If the Premises or Building are subjected to a lien as a result of nonpayment, Subtenant shall provide to Sublandlord, upon its demand, such security or assurances reasonably acceptable to Sublandlord that Subtenant can and will satisfy the lien before enforcement against the Premises.
- 26.5 Property Taxes.** In addition, Subtenant shall pay, before delinquency, all personal property taxes assessed the Building and Subtenant's furniture, fixtures, equipment, inventory, and other personal property on the Premises.
- 27. QUIET ENJOYMENT.** Sublandlord represents and covenants that, upon Subtenant paying the Rent and performing the terms, covenants and conditions of this Sublease, Subtenant shall peaceably and quietly have, hold and enjoy exclusive possession of the Premises, all appurtenances belonging thereto, and all rights granted to Subtenant by this Sublease for the entire duration of the Term and any Extended Term without any hindrance or interference by Sublandlord or any person acting by, through or under Sublandlord or deriving rights through the Sublandlord. Notwithstanding anything to the contrary in this Sublease, Sublandlord hereby represents and covenants that promptly upon receipt of written notice from Subtenant of a violation of Subtenant's rights to quiet enjoyment of the Premises under this Sublease, Sublandlord shall take all reasonable actions necessary to restore Subtenant's full rights to quiet enjoyment of the Premises, as provided herein. In the event that Subtenant's full rights have not been restored within thirty (30) days following Sublandlord's receipt of such notice, and notwithstanding anything to the contrary in this Sublease, Subtenant shall be entitled to exercise any and all remedies permitted under this Sublease, including under Article 23 pertaining to Sublandlord's default. Notwithstanding the foregoing, Subtenant represents and covenants that it acknowledges the nature of adjacent and nearby businesses including, without limitation, a bar and nightclub, and that the operation of such activities shall be deemed to not interfere with Subtenant's rights pursuant to this Section 27.
- 28. BANKRUPTCY.** Should Subtenant make an assignment for the benefit of its creditors, or seek an order for relief under the United States Bankruptcy Code, Sublandlord, at its option, may terminate all rights of Subtenant under this Sublease, if permitted by applicable law.
- 29.** Subject to Sublandlord's obligations as set forth in this Sublease, Sublandlord shall provide Subtenant written notice in the event Sublandlord assigns Sublandlord's interest in this Sublease to another party, or in the event Prime Landlord conveys title to the Premises or assigns its interest in the Prime Lease to another party as set forth in Section 31 of the Prime Lease. Such notice shall include such party's tax identification number and shall be accompanied by documents (including a W-9 form or similar tax documents) which evidence the assignment of interest and the effective date thereof. After receipt of such notice, Rent and other payments due and future notices to Sublandlord shall be given to the party designated therein and Subtenant shall attorn to the new sublandlord as substitute sublandlord provided that the substitute sublandlord expressly assumes in writing all of the obligations of Sublandlord under this Sublease. Should Sublandlord fail to provide the required notice or documentation, or should Subtenant be reasonably uncertain concerning the proper party to whom Rent is due, Subtenant may withhold Rent thereafter accruing until Subtenant is furnished the required notice, documentation and/or satisfactory proof as to the party entitled thereto. Subtenant shall, within thirty (30) days of receipt of request, execute for Sublandlord an estoppel certificate concerning the terms of this Sublease, in form reasonably acceptable to Subtenant, but no such request may be made of Subtenant more than two (2) times in any twelve (12) month period.

30. **ESTOPPEL, SUBORDINATION, NONDISTURBANCE AND ATTORNMENT.**

30.1 **Estoppel Certificates.** Upon twenty (20) days' prior written notice of the request, either Party will execute, acknowledge and deliver to the other Party a certificate stating:

- A. That this Sublease is unmodified, amended and/or supplemented and in full force and effect; or, if there have been modifications, that this Sublease is in full force and effect as modified, and setting forth such modifications (and Sublandlord shall provide the same certifications with respect to the Prime Lease, if requested);
- B. The dates to which Rent and other sums payable hereunder have been paid (and Sublandlord shall provide the same certification with respect to the Prime Lease, if requested); and
- C. Either that, to the knowledge of the Party, no default exists under this Sublease, or specifying each such default that exists under this Sublease, or specifying each such default of which the Party has knowledge (and Sublandlord shall provide the same certifications with respect to the Prime Lease, if requested).

Any such certificate may be relied upon as to the facts stated therein by any actual or prospective mortgagee or purchaser of the Premises from Sublandlord or any actual or prospective sublessee or assignee of Subtenant's interest in this Sublease in connection with one of the transactions permitted or approved under Article 20. A Party shall not be obligated to update any certificate once delivered other than in response to a request of execution of a new estoppel certificate.

30.2 **Subordination, Nondisturbance, and Attornment.** Provided that Subtenant's use and occupancy of the Premises shall not be disturbed and all of Subtenant's other rights under this Sublease are fully recognized, unless Subtenant's right of possession under this Sublease shall have been terminated in accordance with the provisions of this Sublease, Subtenant agrees that, on request of the Prime Landlord, Subtenant will in writing subordinate its rights hereunder to the lien of any mortgage or deed of trust to any bank, insurance company or other institutional lender, now or hereafter in force against the Premises, and to all advances made or hereafter to be made upon the security thereto; provided, that Subtenant's subordination shall apply to the extent that the party who receives the benefit of the subordination ("**Lender**") enters into or approves a written agreement stating that Subtenant's right to quiet possession pursuant to this Sublease shall not be disturbed by such party so long as Subtenant pays the Rent and observes and performs all of the provisions of this Sublease and the Prime Lease.

In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust or other lien made by Sublandlord covering the Premises, Subtenant shall attorn to the Lender or other purchaser upon any such foreclosure or sale and recognize such Lender or other purchaser as the Sublandlord under this Sublease.

Sublandlord will cause any Lender that may provide financing to Sublandlord to record its lien interest subject to and after recordation of the Memorandum of Ground Sublease (in the form attached to the APA) evidencing this Sublease, so that this Sublease will not be subject to termination in the event of foreclosure or a deed-in-lieu of foreclosure under Lender's loan instruments. If required by the Lender, Subtenant will enter into a subordination, non-disturbance and attornment agreement ("**SNDA**") with the Lender. As between Sublandlord and Subtenant, the Parties approve the form of SNDA attached as Exhibit E to the Prime Lease; however, if the Lender requires that the SNDA be on Lender's form, Subtenant will not unreasonably withhold approval of any commercially reasonable SNDA form of the Lender, so long as it is with an institutional lender and the SNDA form of such Lender does not materially modify or impair the rights and entitlements under this Sublease, change Subtenant's rights to rebuild and to continue this Sublease following condemnation or casualty, or otherwise materially and detrimentally alter the approved format of the SNDA as attached to the Prime Lease. Sublandlord will use reasonable efforts to obtain the Lender's approval of the SNDA attached to the Prime Lease. Sublandlord shall similarly provide Subtenant with executed SNDAs from any and all future mortgagees, holders of deeds of trust, and any other parties holding an interest in the Premises, no later than the date said parties obtain such an interest. Subtenant may waive these conditions precedent upon written notice to Sublandlord, although no other action by Subtenant short of such notice shall be deemed an implied waiver of Subtenant's privileges hereunder.

31. **FORCE MAJEURE.** Except for any payment obligations under this Sublease, neither Party shall be required to perform any term, covenant or condition of this Sublease so long as such performance is delayed or prevented by force majeure, which shall mean any acts of God, strike, lockout, material or labor restriction by any Governmental Authority, civil riot, and any other cause not reasonably within the control of such Party and which by the exercise of due diligence such Party is unable, wholly or in part, to prevent or overcome. In no event shall insufficiency of funds required to perform any term, covenant or condition of this Sublease be considered to constitute *force majeure*; provided, however, that the COVID-19 or any other pandemic shall only be deemed a *force majeure* to the extent that, and for the duration of, the applicable Governmental Authority's requirement that the Subtenant's business be entirely ceased.

32. **LIENS.**

32.1 **Generally.** Subtenant shall not have the right to encumber, by mortgage, deed of trust, or other security instrument, the Building or Subtenant's rights under the Sublease as security for any debt or obligation of the Subtenant.

32.2 **Sublandlord's Lien.** To the extent allowed by applicable law, to secure the payment of all Rent and Subtenant's performance of this Sublease, Sublandlord shall have and Subtenant hereby grants to Sublandlord an express first and prior contract lien and security interest on all property (including furniture, inventory, equipment, goods, wares, improvements, chattels, merchandise and fixtures) of Subtenant which may be placed in the Premises, and also upon the proceeds of any insurance which may accrue to Subtenant by reason of the destruction or damage of any such property. Nothing herein grants or shall be deemed to grant Sublandlord a security interest in Subtenant's marijuana business license.

Sublandlord's security interest in Subtenant's marijuana inventory is subject to all suitability and application requirements of the MED. Subtenant shall not remove any such property from the Premises (except in the ordinary course of business) without the written consent of Sublandlord until all arrearages in Rent shall first have been paid. Subtenant hereby waives the benefit of all exemption laws, if any, in favor of such lien and security interest. This lien and security interest are given in addition to any applicable statutory lien and is cumulative with it. If Subtenant fails to pay any Rent or other amounts payable under this Sublease or to perform any other of its obligations under this Sublease within the time specified for its payment or performance, then Sublandlord may, with or without court proceedings, enter upon the Premises and take possession of any and all property of Subtenant on the Premises without liability for trespass or conversion, and sell such property at public or private sale, so long as ten days' notice of the time and place of sale is given by Sublandlord to Subtenant. Sublandlord or its assigns shall have the right to become the purchaser if it is the highest bidder at such sale. Alternatively, at Sublandlord's option, the lien and security interest hereby granted may be foreclosed in the manner and form provided in Article 9 of the Colorado Uniform Commercial Code, or in the manner and form provided for a Colorado statutory Sublandlord's lien, or in any other form provided by law. Subtenant shall, if requested by Sublandlord, execute and deliver to Sublandlord Uniform Commercial Code financing statements evidencing the lien and security interest hereby granted in form and substance reasonably satisfactory to Sublandlord. If requested by Sublandlord, Subtenant shall also execute and deliver to Sublandlord Uniform Commercial Code continuation statements in form and substance reasonably satisfactory to Sublandlord.

33. **CONFIDENTIAL INFORMATION.** Sublandlord and Subtenant each covenant to the other not to disclose to any third party any Confidential Information, as defined below, provided by a Party ("**Disclosing Party**") to the other Party ("**Non-Disclosing Party**") without the Disclosing Party's prior written consent; provided, however, Confidential Information from a Disclosing Party may be disclosed by the Non-Disclosing Party (a) to its employees, partners, consultants, attorneys, accountants, property managers, contractors, agents and lenders who have a reasonable need for such Confidential Information, provided that such third parties agree to maintain the confidential nature of the information, and (b) in order to comply with legal requirements, provided the Disclosing Party shall provide the Non-Disclosing Party notice prior to such disclosure. "Confidential Information" includes this Sublease and any and all information whether in oral, written or other form communicated by Subtenant to Sublandlord relating to Subtenant's proposed development of the Premises, including, but not limited to, architectural plans, specifications, site plans and drawings (regardless of whether or not such information is labeled "confidential"). The covenants provided in this Article 33 shall survive the expiration or earlier termination of this Sublease.

34. **BROKER'S FEES; REAL ESTATE COMMISSIONS.** Each Party agrees to and does hereby indemnify and hold the other harmless from any and all fees, brokerage and other commissions or costs, including reasonable attorneys' fees, liabilities, losses, damages, or claims which may result from any broker, agent, or finder, licensed or otherwise, claiming through, under, or by reason of the conduct of either of them, respectively, in connection with the sublease of the Premises by Subtenant.

35. **DISPUTE RESOLUTION.**

35.1 **Arbitration.** The Parties will endeavor in good faith to informally resolve any disputes which may arise regarding this Sublease. If the Parties cannot resolve any dispute within ten (10) days of written notice of the dispute by either Party, the Parties agree to submit such disputes, controversies, claims, and matters of difference arising under or relating in any way to this Sublease, including disputes regarding arbitrability, to binding arbitration in Denver, Colorado, before a single neutral arbitrator selected by the Parties from the Judicial Arbitrator Group, Inc. (JAG). In the event the Parties cannot agree upon an arbiter, the president or managing director of JAG shall appoint an arbiter from JAG, which selection shall be final and non-appealable. This agreement to arbitrate will be specifically enforceable. If the Parties cannot agree upon the procedure, schedule, or the date for the arbitration, the arbitrator will establish a reasonable procedure, schedule, and date for the arbitration. Arbitration may proceed in the absence of either Party if reasonable notice of the proceedings has been given to such Party. The Parties agree to abide by all awards rendered in such proceedings. Such awards, if any, will be final and binding on both Parties to the full extent and in the manner provided by Colorado Uniform Arbitration Act and the Colorado Rules of Civil Procedure. All awards may be filed with the clerk of one or more courts, state or federal, having jurisdiction over the Party against whom such award is rendered or such Party's property, as a basis of judgment and of the issuance of execution for its collection. The terms and conditions of this Article 35 will not apply to a request for injunctive or other equitable relief. **THE PARTIES SHALL NOT, UNDER ANY CIRCUMSTANCES, BE ENTITLED TO INCIDENTAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER DAMAGES BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION, OR OTHERWISE FOR ANY DEFAULT UNDER THIS AGREEMENT.**

35.2 **Costs of Arbitration.** In the event either Party to this Sublease takes legal action to enforce its rights under this Sublease, including, but not limited to, the submission of an issue for arbitration pursuant to this Article 35, each Party to such action will bear its own costs and expenses related to such action, and one-half (1/2) of any common costs and expenses of arbitration.

36. **ATTORNEYS' FEES.** If suit or arbitration is brought to enforce any terms, covenants or conditions of this Sublease, the Parties agree the substantially losing Party shall pay the substantially prevailing Party's reasonable attorneys' fees, including reasonable attorneys' fees incurred in enforcing a judgment, which shall be fixed by the court and court costs. As used herein, the term "prevailing party" shall mean the Party, which has succeeded upon a significant issue in the litigation and achieved a material benefit with respect to the claims at issue, taken as a whole.

37. **GENERAL PROVISIONS.**

37.1 **Time of the Essence.** Time is of the essence under this Sublease.

37.2 **Governing Law.** This Sublease shall be construed under and governed by the laws of the State of Colorado.

37.3 **Cooperation.** Sublandlord and Subtenant shall cooperate with each other during the terms of this Sublease, with such cooperation to include, without limitation, signing all documents that are reasonably required by any Governmental Authority.

- 37.4 **Drafting.** Sublandlord and Subtenant agree that this Sublease has been drafted and negotiated by both Parties, and neither Party shall be deemed to be the draftsman for purposes of construing provisions of this Sublease.
- 37.5 **Complete and Binding Agreement.** This Sublease, together with its schedules and exhibits, merges all prior and contemporaneous negotiations and understandings between the Parties and constitutes their complete agreement. Subject to any restrictions on assignment contained within this Sublease, this Sublease shall be binding upon and inure to the benefit of Sublandlord and its heirs, executors, administrators, successors and assigns when executed by Sublandlord; and shall be binding upon and inure to the benefit of Subtenant, its managers, members, agents, employees, successors and assigns, only if executed by a Manager of Subtenant, regardless of any written or verbal representation of any agent, manager or other employee of Subtenant to the contrary. This Sublease may only be amended by written agreement signed by Sublandlord and Subtenant.
- 37.6 **Survival.** All covenants and agreements of either Party which are intended to be performed in whole or in part after the termination of this Sublease, and all representations, warranties, and indemnities by either Party to the other under this Sublease shall remain in full force and effect and survive the termination or expiration of this Sublease.
- 37.7 **Severability.** In case any one or more of the provisions contained in this Sublease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision and this Sublease shall be construed as if such invalid, illegal, or unenforceable provisions had never been contained within this Sublease.
- 37.8 **Exhibits.** All exhibits attached to this Sublease and referred to herein shall for all purposes be deemed to be incorporated in this Sublease by this reference.
- 37.9 **Further Acts** Each of the Parties covenants and agrees with the other, upon reasonable request from the other, from time to time, to execute and deliver such additional documents and instruments and to take such other actions as may be reasonably necessary to give effect to the provisions of this Sublease.
- 37.10 **Attorneys' Fees.** Anything to the contrary herein notwithstanding, in the event of any litigation or agreed upon arbitration between the Parties concerning the subject matter of this Sublease, the prevailing Party in the litigation or arbitration shall be entitled to receive from the defaulting Party, in addition to the amount of any judgment or other award entered, all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing Party in the litigation or arbitration.
- 37.11 **Notices.** Any and all notices or demands provided for herein shall be in writing and shall be deemed effectively given or made on the date served upon the Party to be notified personally; or three business days after being deposited in the United States mail registered or certified mail, return receipt requested, postage prepaid; or one business day after deposit or delivery to a reputable overnight courier, prepaid, receipt acknowledged, to the address of such Party set forth below or to such other address as such Party may last have designated by notice hereunder.

A. If intended for the Sublandlord:

Smoking Gun Land Company, LLC  
492 South Colorado Boulevard  
Glendale, Colorado 80246  
Attn: Lindsey Mintz  
Email Address: Lindsey@arcanumedge.com

With a copy, which copy shall not constitute notice, to:

Moye White LLP  
1400 16<sup>th</sup> Street Mall, 6<sup>th</sup> Floor  
Denver, CO 80202  
Attn: Garrett Graff  
Email Address: garrett.graff@moyewhite.com

B. If intended for the Subtenant:

c/o Medicine Man Technologies, Inc.  
4880 Havana Street, Suite 201  
Denver, Colorado 80239  
Attention: Dan Pabon  
Email Address: dan@medicinemantechnologies.com

*with a copy to (not constituting notice):*

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

Rejection or refusal to accept delivery or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of notice as of the date such notice was deposited in the mail or delivered to the courier.

- 37.12 **Execution in Counterparts.** This Sublease may be executed in counterparts, each of which, when so executed and delivered, shall constitute an original; but all such counterparts shall together constitute but one and the same Sublease.
- 37.13 **No Beneficiaries.** Nothing in this Sublease, expressed or implied, is intended to confer on any person, other than the Parties or their respective heirs, executors, administrators, successors, assigns and sublessees, any rights or remedies by reason of this Sublease. Except as expressly provided herein, no third parties are intended to benefit by the covenants, agreements, representations, warranties or any other terms or conditions of this Sublease.
- 37.14 **Relationship of Parties.** Subtenant and Sublandlord acknowledge and agree that the relationship established between the Parties pursuant to this Sublease is only that of Sublandlord and a Subtenant of real estate and other real and personal property as provided in this Sublease. Neither Subtenant nor Sublandlord are, nor shall either hold themselves out to be, the agent, employee, joint venturer, member, or partner of the other Party.
- 37.15 **Calendar and Business Days.** In the event any date or any period provided for in this Sublease shall end on a Saturday, Sunday or legal holiday, the applicable date or period shall be extended to the first business day following such Saturday, Sunday or legal holiday. For time computations under this Sublease, all references to days are to calendar days unless there is a specific reference to "business days", in which event Saturdays, Sundays, or legal holidays shall not be included in the referenced time period.

- 37.16 **Public Announcements.** No public announcement or other dissemination of information regarding this Sublease shall be released or published without the mutual consent of the Parties hereto, provided, however, that either Party may make any release or publication as may be required by applicable law, rule, regulation or order binding on the Party making the disclosure, and if such Party is so obligated, the disclosing Party will give prior notice thereof to the other Party and shall cooperate with the other Party to prepare a mutually acceptable disclosure and shall provide a copy thereof to the other, contemporaneously with the release or publication of such information.
- 37.17 **Extensions or Forbearances by Parties; Waiver.** No extension of time, forbearance, neglect or waiver on the part of Sublandlord or Subtenant with respect to any one or more of the covenants, terms or conditions of this Sublease shall be construed as a waiver of any of the other covenants, terms or conditions of this Sublease or as an estoppel against Sublandlord or Subtenant, nor shall any extension of time, forbearance or waiver on the part of Sublandlord or Subtenant, in any one or more instance or particulars be construed to be a waiver or estoppel in respect to any other instance or particular covered by this Sublease.
- 37.18 **Time of the Essence.** Time is of the essence of this Sublease and each and all of its provisions in which performance is a factor.
- 37.19 **Reasonable Efforts to Mitigate.** In the event of default by Subtenant under this Sublease, Sublandlord will use commercially reasonable efforts to mitigate its damages as provided under Colorado law.
- 37.20 **Operation of Business; “Go Dark” Provision.** Notwithstanding anything contained in this Sublease to the contrary, Subtenant is not hereby covenanting to operate a business at the Premises and shall not be obligated to keep open any business of any kind or nature whatsoever at the Premises, and may cease operations in the Premises, such cessation of business (Go Dark). At any time while Subtenant has elected to Go Dark, Subtenant will cause the Building to be lighted and secured against vandalism, and will otherwise maintain the Premises in the condition required by this Sublease and the City of Glendale, Colorado’s laws and regulations relating to abandoned buildings. In the event of an election to Go Dark, Subtenant shall remain obligated to pay all sums due hereunder and to perform all of its repair and maintenance requirements under this Sublease.
- 37.21 **Entry and Inspection.** Sublandlord shall have the right to enter the Premises:  
(a) in case of emergency; (b) show the Premises to prospective or actual buyers, mortgagees, Subtenants, workmen, or contractors; and (c) when Subtenant has abandoned or surrendered the Premises. Except under (a) and (c), entry may be made only during normal business hours, and at least 24 hours prior notice to Subtenant.
- 37.22 **Memorandum of Sublease.** A memorandum of this Sublease shall be executed and recorded in the real property records of County of Arapahoe, Colorado.

[Signature Page Follows.]

**IN WITNESS WHEREOF**, the Parties have caused this Ground Sublease Agreement to be duly executed on the dates set forth below.

**SUBLANDLORD**

**SMOKING GUN LAND COMPANY, LLC,**  
a Colorado limited liability company

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**SUBTENANT**  
**DOUBLE BROW, LLC,**  
a Colorado limited liability company

**BY: SCHWAZZE COLORADO, LLC,**  
the sole member of Double Brow, LLC

**BY: MEDICINE MAN TECHNOLOGIES, INC. DBA SCHWAZZE,**  
the Sole Member of Schwazze Colorado, LLC

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_



**Exhibit A: Legal Description of Premises**

THAT PART OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 18, TOWNSHIP 4 SOUTH, RANGE 67 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS 1163.5 FEET SOUTH OF THE NORTHWEST CORNER OF SECTION 18, TOWNSHIP 4 SOUTH, RANGE 67 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN;

THENCE SOUTH 71 FEET;  
THENCE EAST AT RIGHT ANGLES 196.47 FEET;  
THENCE NORTH AT RIGHT ANGLES 71 FEET;  
THENCE WEST AT RIGHT ANGLES 196.47 FEET TO THE PLACE OF BEGINNING,  
EXCEPT THE RIGHT OF WAY FOR ROAD OVER THE WEST 30 FEET OF SAID TRACT;

AND THAT PART OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 18, TOWNSHIP 4 SOUTH, RANGE 67 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS 1234.5 FEET SOUTH OF THE NORTHWEST CORNER OF SAID SECTION 18,  
THENCE RUNNING EAST 198.9 FEET TO A POINT;  
THENCE RUNNING SOUTH 87 ½ FEET TO A POINT;  
THENCE RUNNING WEST 198.9 FEET TO A POINT;  
THENCE RUNNING NORTH 87 ½ FEET TO THE POINT OF BEGINNING,  
EXCEPT THE WEST 30 FEET THEREOF FOR COUNTY ROAD AND EXCEPT ANY PART THEREOF LYING WITHIN EAST VIRGINIA AVENUE; AND EXCEPT THAT PART DEEDED TO THE TOWN OF GLENDALE, A MUNICIPAL CORPORATION IN DEED RECORDED MARCH 8, 1968 IN BOOK 1749 AT PAGE 578, COUNTY OF ARAPAHOE, STATE OF COLORADO.

FURTHER DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF THE NORTHWEST 1/4, OF THE NORTHWEST 1/4, OF SECTION 18, TOWNSHIP 4 SOUTH, RANGE 67 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN, CITY OF GLENDALE, COUNTY OF ARAPAHOE, STATE OF COLORADO;

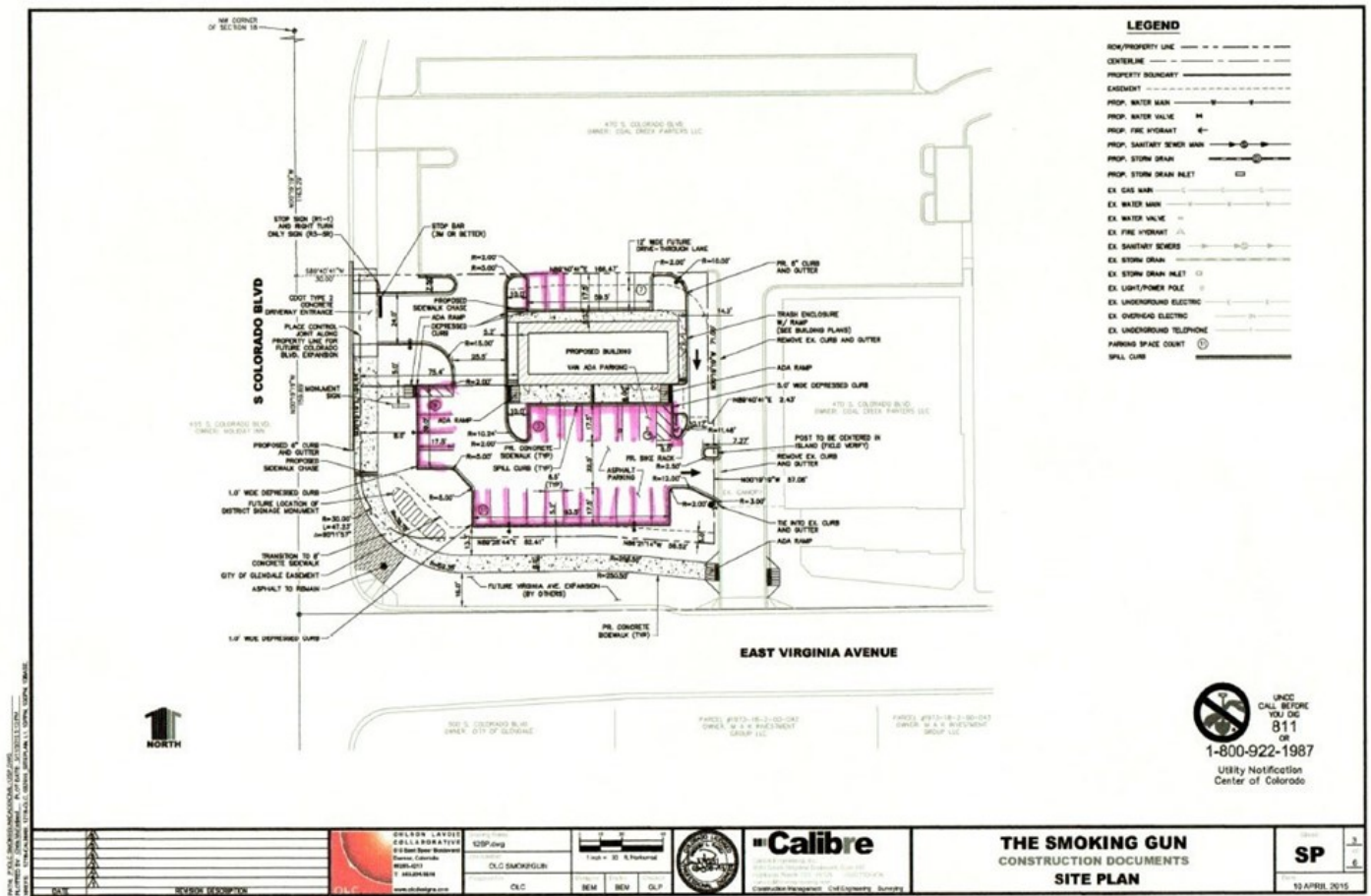
THENCE S00°19'09"E, ALONG THE WEST LINE OF SAID NW 1/4, NW 1/4, A DISTANCE OF 1163.29 FEET TO A POINT;  
THENCE N89°40'41"E, A DISTANCE OF 30.00 FEET TO THE EAST RIGHT OF WAY LINE OF SOUTH COLORADO BOULEVARD, BEING ALSO THE POINT OF BEGINNING;  
THENCE CONTINUING N89°40'41"E, A DISTANCE OF 166.47 FEET;  
THENCE S00°19'19"E, A DISTANCE OF 71.00 FEET;  
THENCE N89°40'41"E, A DISTANCE OF 2.43 FEET;  
THENCE S00°19'19"E, A DISTANCE OF 57.06 FEET TO A POINT ON THE NORTH LINE OF PROPERTY DESCRIBED AT RECEPTION NUMBER D2009123, ARAPAHOE COUNTY RECORDS;  
THENCE ALONG SAID NORTH LINE FOR THE FOLLOWING THREE (3) COURSES;

- 1) N86°21'14"W, A DISTANCE OF 56.52 FEET;
- 2) THENCE S89°28'44"W, A DISTANCE OF 82.42 FEET TO A POINT OF CURVATURE;
- 3) THENCE ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT, HAVING A RADIUS OF 30.00 FEET, A CENTRAL ANGLE OF 90°11'57", AND AN ARC LENGTH OF 47.23 FEET TO A POINT OF TANGENT, BEING ALSO A POINT ON THE AFOREMENTIONED EAST RIGHT OF WAY LINE OF SOUTH COLORADO BOULEVARD;

THENCE N00°19'19"W, ALONG SAID EAST RIGHT OF WAY LINE A DISTANCE OF 94.44 FEET TO THE POINT OF BEGINNING.

SAID PARCEL CONTAINS 0.476 ACRES (20,734 SQUARE FEET) MORE OR LESS.

## Exhibit B: Site Plan



**EXHIBIT F**

**Form of Ground Lease Sublease Memorandum**

[See attached.]

Recorded at the request of and when recorded return to:

Perkins Coie LLP  
1900 Sixteenth Street, Suite 1400  
Denver, Colorado 80202  
Attention: Kester Spindler

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APN: 1973-18-2-00-084

#### MEMORANDUM OF GROUND SUBLEASE AGREEMENT

This Memorandum of Ground Sublease Agreement ("Memorandum of Sublease") is dated the day of\_, 2021, by and between **Smoking Gun Land Company, LLC**, a Colorado limited liability company ("Sublandlord"), and **Double Brow LLC**, a Colorado limited liability company ("Subtenant").

1. SUBLEASED PREMISES. Sublandlord has subleased to subtenant the entire real property and all improvements thereon located at 492 South Colorado Boulevard, Glendale, Colorado, 80246 as legally described on Exhibit A ("**Subleased Premises**"), and by this reference incorporated herein pursuant to that certain Ground Sublease Agreement between Sublandlord and Subtenant of even date herewith (the "**Sublease**").

2. OWNERSHIP OF BUILDING. Sublandlord has constructed improvements on the Subleased Premises, including, without limitation, a building with approximately one thousand seven hundred (1,700) square feet of above-ground floor area ("**Building**") and twenty-four (24) certain striped parking spaces ("**Parking**"). Sublandlord and Subtenant are parties to that certain Asset Purchase Agreement dated\_\_\_\_, 2021 (the "APA") whereby Subtenant intends to purchase the Building from Sublandlord.

3. TERM. The initial term of the Sublease terminates on September 30, 2024, with two (2) options to extend the term of the Sublease for a period of ten (10) years each.

4. CONTROLLING DOCUMENT. The Sublease described in paragraph 1 above will control this Memorandum of Sublease in the event of any inconsistency between them.

5. PURPOSE OF MEMORANDUM. This Memorandum of Sublease is prepared for the purpose of recordation and in no way modifies the terms and conditions of the Sublease. If there is any inconsistency between the terms and conditions of the Memorandum of Sublease and the terms and conditions of the Sublease, the terms and conditions of the Sublease shall control.

6. COUNTERPARTS. This Memorandum of Sublease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF this Memorandum of Sublease has been signed by the parties on the day and year first above written.

SUBLANDLORD:  
**Smoking Gun Land Company, LLC**, a Colorado  
limited liability company

SUBTENANT:  
**Double Brow, LLC**,  
a Colorado limited liability company

By: **Schwazze Colorado, LLC**,  
the sole member of Double Brow, LLC

By: **Medicine Man Technologies, Inc. DBA Schwazze**,  
the Sole Member of Schwazze Colorado, LLC

By: \_\_\_\_\_  
\_\_\_\_\_  
Print Name

By: \_\_\_\_\_  
\_\_\_\_\_  
Print Name

Its: \_\_\_\_\_

Its: \_\_\_\_\_

[Signature Page to Memorandum of Sublease]

State of Colorado  
County of \_\_\_\_\_

This record was acknowledged before me on\_\_\_\_, 20 by\_\_\_\_\_as (type of authority, such as officer or trustee) of (name of party/entity on behalf of whom record was executed).

\_\_\_\_\_  
(name of officer or agent, title of officer or agent) of (name of corporation acknowledging) a (state or place of incorporation) corporation, on behalf of the corporation.

\_\_\_\_\_  
(Notary’s official signature)

\_\_\_\_\_  
(Title of office)

\_\_\_\_\_  
(Commission Expiration)

State of Colorado  
County of \_\_\_\_\_

This record was acknowledged before me on\_\_\_\_, 20 by\_\_\_\_\_as (type of authority, such as officer or trustee) of (name of party/entity on behalf of whom record was executed).

\_\_\_\_\_  
(name of officer or agent, title of officer or agent) of (name of corporation acknowledging) a (state or place of incorporation) corporation, on behalf of the corporation.

\_\_\_\_\_  
(Notary’s official signature)

\_\_\_\_\_  
(Title of office)

\_\_\_\_\_  
(Commission Expiration)

**Exhibit A**

**LEGAL DESCRIPTION**

**Parcel A:**

That Part of the Northwest quarter (NW1/4) of the Northwest quarter (NW1/4) of Section Eighteen (18), Township 4 South, Range 67 West of the 6th Principal Meridian, more particularly described as follows: Commencing at a point which is 1163.5 feet South of the Northwest corner of said Section 18, Township 4 South, Range 67 West of the 6th Principal Meridian, Thence South 71 feet; thence East at right angles 196.47 feet; thence North at right angles 71 feet; thence West at right angles 196.47 feet to the place of beginning, EXCEPT right- of-way for road over the West 30 feet of said tract.

**Parcel B:**

That Part of the Northwest quarter (NW1/4) of the Northwest quarter (NW1/4) of Section Eighteen (18), Township 4 South, Range 67 West of the 6th Principal Meridian, more particularly described as follows: Commencing at a point which is 1234.5 feet South of the Northwest Corner of said Section 18. thence running East 198.9 feet to a point; thence running South 87-1/2 feet to a point; thence running West 198.9 feet to a point; thence running North 87-1/2 feet to the point of beginning; EXCEPT the West 30 feet thereof for County Road; Said property also described as a tract of land 87-1/2 feet wide off the South side of the West 3/4 of an acre of the following property: Commencing at a point 1163.5 feet South of the Northwest corner of said Section 18, Township 4 South, Range 67 West; thence South 158.5 feet; thence East 608.7 feet; thence North 158.5 feet; thence West 608.7 feet to the place of beginning, EXCEPT 30 feet off the West side thereof used for road purposes.

EXCEPT that parcel conveyed to the Town of Glendale in Deed recorded March 8, 1968 in Book 1749 at Page 578.

AND EXCEPT that parcel set forth in Rule and Order In Case No. 2012CV129, District Court, Arapahoe County, Colorado

County of Arapahoe, State of Colorado.

492 S Colorado Boulevard, Denver, CO 80246 APN: 1973-18-2-00-084, 035136019

Description of Securities of Medicine Man Technologies, Inc.  
Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

**General**

The following is a summary of information concerning the capital stock of Medicine Man Technologies, Inc. (hereinafter referred to as the “Company”, “our” and “we”). The summaries and descriptions below do not purport to be complete. It is subject to and qualified in its entirety by reference to our Articles of Incorporation, as amended (the “Articles of Incorporation”), and our Amended and Restated Bylaws (the “Bylaws”), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our Articles of Incorporation, including the Certificate of Designation (as defined below), our Bylaws and any applicable provisions of relevant law, including the Nevada Revised Statutes. Our Common Stock (as defined below) is our only security registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

***Cannabis Law Compliance and Unsuitability Redemption Provision in Bylaws***

The Company holds various licenses from the Colorado Marijuana Enforcement Division to operate its cannabis businesses in Colorado. As a result, beneficial owners with a 10% or greater interest are required to make filings with, and to be found suitable to be equity owners of a cannabis business in Colorado, by the Colorado Marijuana Enforcement Division. **[Dan: Update for NM.]** The Bylaws provide that for as long as the Company holds (directly or indirectly) a license for a governmental agency to conduct its business, which license is conditioned upon some or all of the Company’s stockholders possessing certain qualifications, the Company may redeem any and all of the shares of capital stock to the extent necessary to prevent loss of such license or to reinstate such license. Under the Bylaws, the Company may redeem shares in this manner for cash, property or rights, on not less than five days’ notice to the holder(s) thereof at a redemption price equal to the average closing price of such shares as reported on the exchange on which shares of the common stock is quoted or traded for the 45 trading days immediately preceding the date of the redemption notice, or if such shares are not so traded or quoted, the Company’s board of directors will determine the redemption price in good faith.

The bylaws further provides that it shall be unlawful for any stockholder who does not meet certain qualifications to (i) receive any dividend, payment, distribution or interest with regard to the shares, (ii) exercise, directly or indirectly or through any proxy, trustee, or nominee, any voting or other right conferred by such shares, and such shares shall not for any purposes be included in the shares of the Company entitled to vote, or (iii) receive any remuneration that may be due to such stockholder, accruing after the date of such notice of determination of unsuitability or disqualification by the Colorado Marijuana Enforcement Division, in any form from the Company for services rendered or otherwise.

***Common Stock***

**Authorized Shares.** The Company is authorized to issue up to 250,000,000 shares of common stock, par value \$0.001 per share (the “Common Stock”).

**Dividends.** Holders of shares of Common Stock are entitled to receive dividends when, as and if declared by the Company’s Board of Directors (the “Board”) out of funds legally available for that purpose, subject to the rights of holders of any class or series of preferred stock, including our Series A Preferred Stock (as defined below), which may then be outstanding. The Company has not declared or paid any cash dividends on its Common Stock, and the Company does not anticipate doing so in the foreseeable future.

**Voting Rights.** Each share of Common Stock is entitled to one vote on all matters submitted to a vote of the Company’s shareholders, including as to the election of directors to the Board. Shareholders are prohibited from cumulating their votes in any election of directors of the Company.

**Liquidation Rights.** In the event of any liquidation, dissolution, or winding up of the Company, subject to the rights of creditors and the holders of any outstanding shares of preferred stock having a preference, including our Series A Preferred Stock, holders of shares of Common Stock are entitled to ratable distribution of the remaining assets available for distribution to shareholders.

**Redemption.** The shares of Common Stock are generally not subject to redemption by operation of a sinking fund or otherwise; provided, however, so long as the Company holds (directly or indirectly) a license from a governmental agency to conduct its business, if such license is conditioned upon some or all of the holders of the Company possessing certain qualifications, then, the Company, in its sole option and sole discretion, may redeem the shares of Common Stock held by a holder that is deemed unsuitable or disqualified to own a direct or indirect interest in the Company by such license granting governmental agency.



**Preemptive Rights.** Holders of shares of Common Stock are not currently entitled to preemptive rights.

**Fully Paid.** The issued and outstanding shares of Common Stock are fully paid and non-assessable. This means the full purchase price for the outstanding shares of Common Stock has been paid and the holders of such shares will not be assessed any additional amounts for such shares. Any additional shares of Common Stock that the Company may issue in the future will also be fully paid and non-assessable.

**Listing and Ticker Symbol.** The Common Stock is currently quoted on the OTCQX under the ticker symbol “SHWZ.”

### ***Preferred Stock***

**Authority to Designate and Issue Shares of Preferred Stock.** Subject to limitations prescribed by Nevada law, without vote or action by our stockholders, the Board is authorized to determine and alter the right, 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 also may increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. The Board may authorize the issuance of preferred stock with rights, such as voting or conversion rights, that could adversely affect the rights of the holders of the Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company.

**Authorized Shares.** The Company is authorized to issue up to 10,000,000 shares of preferred stock, par value \$0.001 per shares. The Company has designated 110,000 shares of preferred stock as Series A Cumulative Convertible Preferred Stock (the “Series A Preferred Stock”) pursuant to the Certificate of Designation of Series A Cumulative Convertible Preferred Stock filed with the Nevada Secretary of State on December 16, 2020 and amended on March 1, 2021 (the “Certificate of Designation”).

**Dividends.** Holders of Series A Preferred Stock are entitled to receive cumulative dividends at the rate of 8% per annum on the “Preference Amount,” which initially is equal to \$1,000 per share and subject to increase, payable annually on each anniversary of the date of the first issuance of any shares of Series A Preferred Stock to holders of record on each such payment date, by having such dividends automatically accrete as of each dividend payment date to, and increase, the outstanding Preference Amount.

**Liquidate Preference.** In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, holders of Series A Preferred Stock are entitled to be paid out of the Company’s assets available for distributions to its stockholders, before any payment shall be made to the holders of any junior securities, such as the Common Stock, an amount in cash equal to the Preference Amount (plus the pro rata portion of the next dividend, if any), for each share of Series A Preferred Stock. In connection with a Change of Control Transaction (as defined in the Certificate of Designation), either the Company or holders of Series A Preferred Stock holding no less than a majority of the then-issued and outstanding shares of Series A Preferred Stock may elect to treat such Change of Control Transaction as a liquidation and to receive the cash or the value of the property, rights or securities paid or distributed to holders of Series A Preferred Stock in such Change of Control Transaction. Generally, a Change of Control Transaction means the occurrence of any of: (i) the acquisition by a person or group through a purchase, merger or other acquisition transaction or series or related transactions, in which such transaction or transactions are with the Company or approved by the Board, entitling that person or group to exercise more than a majority of the total voting power of all shares of the Company entitled to vote generally in the election of directors (including all securities such person has the right to acquire), (ii) a merger or consolidation involving the Company and, after giving effect to such transaction, the Company’s stockholders immediately before such transaction own less than a majority of the Company’s aggregate voting power the successor entity of such transaction immediately after such transaction, (iii) a sale, lease or transfer of all or substantially all of the Company’s assets and the Company’s stockholders immediately before such transaction own less than a majority of the aggregate voting power of the acquiring entity immediately after such transaction, or (iv) the Common Stock ceases to be listed on a Trading Market (as defined in the Certificate of Designation).

**Conversion by Holders.** Each share of Series A Preferred Stock will be convertible at the option of the holder thereof (i) for 90 days after the occurrence of a Listing Event (as defined in the Certificate of Designation), (ii) on the date of the consummation of a Change of Control Transaction if requested within 14 days after delivery to holders of a notice of an anticipated Change of Control Transaction, (iii) for 10 days after the receipt by the holders of a notice of forced redemption by the Company, and (iv) at any time after the first anniversary of the date of the first issuance of any shares of Series A Preferred Stock, in each case, into that number of shares of Common Stock determined by dividing the Preference Amount (plus the pro rata portion of the next dividend, if any) of such share of Series A Preferred Stock by \$1.20. Generally, a Listing Event involves the listing of the Common Stock on the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange followed within 90 days thereafter by a public offering of Common Stock that generates gross proceeds to the Company of no less than \$100,000,000.

**Conversion by the Company.** The Company may force conversion of the Series Preferred Stock (i) within 90 days after the occurrence of a Listing Event, and (ii) on the date of the consummation of a Change of Control Transaction if requested within 14 days after delivery to holders of a notice of an anticipated Change of Control Transaction, other than a Change of Control Transaction as a result of the Common Stock ceasing to be listed on any Trading Market.

**Redemption Rights.** Each share of Series A Preferred Stock will be redeemable at the option of the holder thereof (i) for 90 days after the occurrence of a Listing Event, (ii) at any time after the fifth anniversary of the date of the first issuance of any shares of Series A Preferred Stock, (iii) on the date of the consummation of a Change of Control Transaction if requested within 14 days after delivery to holders of a notice of an anticipated Change of Control Transaction, or (iv) for five days after the receipt by the holder of a notice of forced conversion by the Company. In each case, a holder of Series A Preferred Stock may elect to have the Company redeem all or any portion of the shares of Series A Preferred Stock held for a redemption price per share equal to the Preference Amount (plus the pro rata portion of the next dividend, if any). The Company has a right to defer such redemption one or more times until no later than the one-year anniversary of the redemption date originally requested by the holder, provided that the dividends rate would be increased from 8% to 10% per annum during the first six months of such deferral period and 15% thereafter, if applicable. In addition, the Company may redeem all or any portion of the Series A Preferred Stock within 90 days after the occurrence of a Listing Event.

**Cannabis Law Compliance and Unsuitability Redemption for Series A Preferred.** Each holder of Series A Preferred must take all action reasonably required by such holder to comply with applicable state cannabis laws and regulations, including, without limitation, making all requisite filings under such laws and regulations as and when required. The Company has the right but not the obligation to redeem all or any portion of the shares of Series A Preferred Stock held by any holder that is determined to be unsuitable or disqualified to own a direct or indirect interest in the Company by a state governmental authority, including, without limitation, the Colorado Marijuana Enforcement Division.

**Ranking.** With respect to conversion rights, redemption payments and rights upon the Company's liquidation, dissolution or winding-up or a Change of Control Transaction, the Series A Preferred Stock rank junior to the Company's indebtedness and any securities the Company issues in the future the terms of which expressly make such securities senior to the Series A Preferred Stock, on a parity with any securities the Company issues in the future the terms of which expressly make such securities on a parity with any or all of the Series A Preferred Stock, but senior to the Common Stock and any securities the Company issues in the future that are not expressly made on a parity or senior to the Series A Preferred Stock.

**Voting Rights.** Each holder of Series A Preferred Stock will be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held would convert into as of the record date for determining stockholders entitled to vote on any matter presented to the Company's stockholders for their action or consideration at any meeting (or by written consent in lieu of meeting) voting together with the holder of Common Stock as a single class as if such shares of Series A Preferred Stock were convertible as of such date.

#### ***Convertible Notes***

**General.** On December 7, 2021, the Company issued and sold an aggregate principal amount of \$95,000,000 of 13% senior secured convertible notes due five years after issuance (the "Notes") governed by an Indenture, dated December 7, 2021, among the Company, the Subsidiary Guarantors (as defined therein), Ankura Trust Company, LLC as trustee and Chicago Atlantic Admin, LLC as collateral agent for the Note holders (the "Indenture"). The Notes will mature on December 7, 2026 unless earlier repurchased, redeemed, or converted. The 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 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 Notes.

**Prohibition on Dividends.** The Indenture prohibits the Company from paying dividends and to repurchase, redeem, retire, or otherwise acquire any equity interest, option, or warrant of the Company or any Subsidiary Guarantor, subject to some exceptions. For example, the Company may declare and pay dividends (i) if payable solely in its own equity, (ii) in an amount or amounts not to exceed \$500,000 until discharge of the Indenture, or (iii) 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 payment

**Conversion by Holders.** Each Note is convertible at the option of the holder thereof (i) upon receipt by the holders of a notice of forced redemption by the Company, and (ii) at any time until the close of business on the business day immediately preceding the maturity date of the Notes, in each case, into that number of shares of Common Stock determined by dividing the principal amount of the Note (plus accrued interest) by \$2.24. 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.

**Conversion by Company.** On and after the second anniversary of the date of first issuance of the Notes, the Company may force conversion of up to 12.5% of the outstanding 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 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, and (iii) there is an effective registration statement covering the resale by the holders of the Notes of all Common Stock to be received in such conversion.

**Limitation on Conversion.** A holder of a Note may not convert a Note, and the Company may not issue shares of Common Stock under such Note if, after giving effect to the conversion and issuance, the holder, together with its affiliates, would beneficially own in excess of 4.9% of the outstanding shares of the Common Stock, subject to exceptions

**Redemption by Holders.** On the fourth anniversary of the date of the first issuance of the Notes, Note holders will have the right, at their option, to require the Company to repurchase some or all of their Notes for cash in an amount equal to the principal amount of the Notes being repurchased plus accrued and unpaid interest up to the date of repurchase. Further, upon the occurrence of a Change of Control (as defined in the Indenture), subject to certain conditions, a Note holder may require the Company to repurchase for cash all or any portion of the Note at a repurchase price equal to the principal amount of the Note to be repurchased, plus accrued and unpaid interest thereon, plus the lesser of: (i) the present value of one year of additional interest on such Note, commencing on the date the repurchase price is payable, and (ii) the sum of the present values or the remaining scheduled interest payments that would have been paid on such Note from the repurchase date to the maturity date.

**Redemption by Company.** The Company may, at its option, elect to redeem all, but not less than all, of the 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, plus the greater of: (i) the sum of the present values or the remaining scheduled interest payments that would have been paid on the Notes from the repurchase date to the third anniversary of the date of the first issuance of the Notes, or (ii) the lesser of (a) the sum of the present values of the scheduled interest payments that would have been paid (assuming such payments are made in cash) on the Notes from the redemption date through the one-year anniversary of the redemption date or (y) the sum of the present values of the scheduled interest payments that would have been paid (assuming such payments are made in cash) on the Notes from the redemption date through the maturity date.

**Cannabis Law Compliance and Unsuitability Redemption for Notes.** Upon conversion of a Note, each Note holder, in such Note holder's capacity as a holder of Common Stock, must (i) take all action reasonably required by such holder to comply with applicable state cannabis laws and regulations, including, without limitation, making all requisite filings under such laws and regulations as and when required, and (ii) upon the Corporation's reasonable request, at the Company's sole cost and expense, reasonably cooperate with the Company regarding any Company report, filing, notification or other communication with or to any governmental authority related to the Company's licenses, approvals, consents or obligations under state cannabis laws and regulations related to such holder's capacity as a holder of Common Stock issued upon conversion of the Notes, including, without limitation, any investigation or inquiry by a state governmental authority related to any of the foregoing. The Company has the right but not the obligation to redeem all or any shares of Common Stock held by a Note holder issued upon conversion of the Notes who is (or whose affiliate is) determined to be unsuitable or disqualified to own a direct or indirect interest in the Company by a state governmental authority, including, without limitation, the Colorado Marijuana Enforcement Division; *provided* that the Company is only permitted to redeem such shares of Common Stock to the extent necessary to comply with applicable state cannabis laws and regulations.

#### ***Action by Written Consent.***

The Bylaws provide that holders holding a majority of the voting power of each class of capital stock of the Company, or, if different, the proportion of voting power required to take such action at a meeting of stockholders.

#### ***Certain Anti-Takeover Measures***

Under our Articles of Incorporation, the Board, without further vote by our stockholders, has the authority to issue shares of preferred stock and to determine the rights and preferences, price and restrictions, including but not limited to voting and dividend rights, of any such shares of preferred stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company.

The Bylaws contain provisions that may be deemed to have an anti-takeover effect and may del, defer or prevent a change of control. These provisions include:

**Staggered Board of Directors.** The Bylaws provide for a “staggered” or “classified” Board, whereby the directors of the Board are divided into two classes - Class A Directors consisting of one-half of the members of the Board, and Class B Directors consisting of one-half of the members of the Board. Each class shall be elected for two-year terms, in alternating years.

**Change in the Number of Directors.** The Bylaws provide that approval by no less than four members of the Board is required to change the total number of directors comprising the Board.

**Bankruptcy, Insolvency, Dissolution or Liquidation.** The Bylaws provide that approval by no less than four members of the Board is required to commence any bankruptcy or insolvency proceeding, or to dissolve or liquidate or agree to dissolve or liquidate the Company.

***Transfer Agent***

The Company’s Transfer Agent is Globex Transfer, LLC.

## FORM OF WARRANT TO PURCHASE COMMON STOCK

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL SELECTED BY THE HOLDER, IN A FORM REASONABLE ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SUCH ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A FINRA REGISTERED BROKER/DEALER OR OTHER LOAN OR FINANCING ARRANGEMENT WITH AN “ACCREDITED INVESTOR” SECURED BY THE SECURITIES.

**MEDICINE MAN TECHNOLOGIES, INC.**  
**Warrant To Purchase Common Stock**

Warrant No.: [\_\_\_\_\_] ]  
 Number of Shares of Common Stock: [\_\_\_\_\_] ]  
 Date of Issuance: [\_\_\_\_\_] , 2020 (“Issuance Date”)

Medicine Man Technologies, Inc., a Nevada corporation d/b/a Schwazze (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [\_\_\_\_\_] , the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, at any time or times on or after the date hereof, but not after 11:59 p.m., New York time, on the Expiration Date, [\_\_\_\_\_] ([\_\_\_\_\_] ) fully paid nonassessable shares of Common Stock, all subject to adjustment as provided herein (the “**Warrant Shares**” and, together with this Warrant, collectively, the “**Securities**”). Except as otherwise defined herein, capitalized terms in this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, this “**Warrant**”), shall have the meanings set forth in Section 14. This Warrant is one of the Warrants to purchase Common Stock (the “**Loan Warrants**”) issued pursuant to Section [\_\_\_] of the Loan Agreement, dated as of [\_\_\_\_\_] , 2020, by and between the Company, as borrower, the guarantors party thereto, FocusGrowth Asset Management, LP, a Pennsylvania limited liability company, as agent, and each of the lenders party thereto (as amended, the “**Loan Agreement**”). Capitalized terms used and not otherwise defined herein shall have the definitions ascribed to such terms in the Loan Agreement.

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof, this Warrant may be exercised by the Holder at any time or times on or after the Issuance Date, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and (ii) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash by wire transfer of immediately available funds. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. Execution and delivery of an Exercise Notice for all of the then-remaining Warrant Shares shall have the same effect as cancellation of the original of this Warrant after delivery of the Warrant Shares in accordance with the terms hereof. On or before the first (1<sup>st</sup>) Trading Day following the date on which the Company has received the Exercise Notice, the Company shall transmit by electronic mail an acknowledgment of confirmation of receipt of the Exercise Notice to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the earlier of (i) the second (2<sup>nd</sup>) Trading Day and (ii) the number of Trading Days comprising the Standard Settlement Period, in each case, following the date on which the Holder delivers the Exercise Notice to the Company and the Aggregate Exercise Price on or prior to the third (3<sup>rd</sup>) Trading Day following the date on which the Company has received the Exercise Notice, the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program and the Warrant Shares are subject to an effective resale registration statement in favor of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit / Withdrawal At Custodian system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program or the Warrant Shares are not subject to an effective resale registration statement in favor of the Holder,

issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. The Company shall be responsible for all fees and expenses of the Transfer Agent and all fees and expenses with respect to the issuance of Warrant Shares via DTC, if any. Upon delivery of the Exercise Notice and the Aggregate Exercise Price, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three (3) Trading Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 5(d)) representing the right to purchase the number of Warrant Shares issuable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but rather the number of Warrant Shares to be issued shall be rounded up to the nearest whole number. The Company shall pay any and all transfer, stamp, issuance and similar taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

(b) Exercise Price. For purposes of this Warrant, "Exercise Price" means \$[\_\_\_\_\_] per share, subject to adjustment as provided herein.

(c) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the number of Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with the terms of the Loan Agreement.

(d) Insufficient Authorized Shares. If at any time while this Warrant remains outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of this Warrant at least a number of shares of Common Stock equal to 100% of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of this Warrant then outstanding without regard to any limitation on exercise included herein (the "**Required Reserve Amount**" and the failure to have such sufficient number of authorized and unreserved shares of Common Stock, an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for this Warrant then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. Notwithstanding the foregoing, if any such time of an Authorized Share Failure, the Company is able to obtain the written consent of a majority of the shares of its issued and outstanding shares of Common Stock to approve the increase in the number of authorized shares of Common Stock, the Company may satisfy this obligation by obtaining such consent and submitting for filing with the Securities and Exchange Commission an Information Statement on Schedule 14C.

2. **ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES**. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Voluntary Adjustment By Company. The Company may at any time during the term of this Warrant, with the prior written consent of the Required Holders, reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.

(b) Adjustment Upon Subdivision or Combination of Common Stock. If the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(b) shall become effective at the close of business on the date the subdivision or combination becomes effective.

3. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all of the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Loan Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Loan Warrants, 100% of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Loan Warrants then outstanding.

4. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. The Holder, solely in its capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in its capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which it is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

5. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 5(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 5(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 5(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 5(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Loan Warrants for fractional Warrant Shares shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 5(a) or Section 5(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights, terms and conditions as this Warrant.

6. REPRESENTATIONS AND WARRANTIES OF THE HOLDER. The Holder hereby represents and warrants to the Company as follows:

(a) No Public Sale or Distribution. The Holder is acquiring this Warrant, and when issued in accordance with the terms of this Warrant, the Warrant Shares, in the ordinary course of its business for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the Securities Act of 1933, as amended (the “**Securities Act**”). The Holder does not presently have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Securities.

(b) Holder Status and Experience. The Holder is, and on each date on which the Holder acquires any Warrant Shares it will be, an “accredited investor” as that term is defined in Rule 501(a) of Regulation D. The Holder, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the investment in the Securities, and has so evaluated the merits and risks of such investment. The Holder is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(c) Information. The Holder and its advisors, if any, have been furnished with all materials relating to the business finances and operations of the Company and materials relating to the offer and issuance of the Securities that have been requested by the Holder. The Holder and its advisors, if any, have been afforded the opportunity to ask questions of the Company and receive answers from the Company concerning the terms and conditions of the offering of the Securities, the merits of investing in the Securities and the business, finances and operations of the Company. Neither such inquiries nor any other due diligence investigations conducted by the Holder or its advisors, if any, or its representatives shall modify, amend or affect the Holder’s right to rely on the Company’s representations and warranties contained herein. The Holder understands that its investment in the Securities involves a high degree of risk. The Holder has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

(d) Transfer or Resale. The Holder understands that: (i) the Securities are “restricted securities” under applicable securities laws and have not been and are not being registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) the Holder shall have delivered to the Company (if requested by the Company) an opinion of counsel, in a form reasonably acceptable to the Company, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) the Holder provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A promulgated under the Securities Act (or a successor rule thereto) (collectively, “**Rule 144**”); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder; and (iii) neither the Company nor any other Person is under any obligation to register the Securities under the Securities Act or any state securities laws or to assist the Holder to comply with the terms and conditions of any exemption thereunder. Notwithstanding the foregoing, the Securities may be pledged in connection with a bona fide margin account with a FINRA registered broker/dealer or other loan or financing arrangement with an accredited investor secured by the Securities and such pledge of Securities shall not be deemed to be a transfer, sale or assignment of the Securities hereunder, and if the Holder effects such a pledge of Securities it shall not be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement. The Holder understands that the Warrant Shares shall bear such restrictive legend as required by the Company.

(e) Reliance on Exemptions. The Holder understands that the Securities are being offered and issued to it in reliance on specific exemptions from the registration requirements of applicable securities laws and that the Company is relying in part upon the truth and accuracy of, and the Holder’s compliance with, the representations and warranties of the Holder set forth herein in order to determine the availability of such exemptions and eligibility of the Holder to acquire the Securities.

7. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section [ ] of the Loan Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment.

8. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended or waived and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Required Holders and any amendment, waiver or action made in conformity with the provisions of this Section 8 shall be binding on all holders of Loan Warrants and the Company. The Holder acknowledges and agrees that by operation of this Section 8, the Required Holders will have the right and power to amend this Warrant and all the other Loan Warrants, including, without limitation, the power to diminish or eliminate all rights of the Holder under this Warrant.



9. GOVERNING LAW; JURISDICTION; JURY TRIAL. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company and the Holder each hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and each hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Company and the Holder each hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to the respective address set forth in Section [ ] of the Loan Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **THE COMPANY AND THE HOLDER EACH HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT.**

10. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

11. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Loan Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate.

The Company therefore agrees that, in the event of any such breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach.

12. TRANSFER. This Warrant and the Warrant Shares may be offered for sale, sold, transferred, pledged or assigned without the consent of the Company, subject to compliance with all applicable federal and state securities laws.

13. SEVERABILITY. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

14. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) **“Business Day”** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(b) **“Common Stock”** means (i) the Company’s shares of common stock, par value \$0.001 per share, and (ii) any stock capital into which such Common Stock shall have been changed or any stock capital resulting from a reclassification, reorganization or reclassification of such Common Stock.

(c) “**Expiration Date**” means the date sixty (60) months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “Holiday”), the next day that is not a Holiday.

(d) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(e) “**Principal Market**” means the OTCQX.

(f) “**Required Holders**” means the holders of the Loan Warrants representing at least a majority of the shares of Common Stock underlying the Loan Warrants then outstanding.

(g) “**Standard Settlement Period**” means the standard settlement period, expressed in a number of Trading Days, for the principal trading market for the Common Stock as in effect on the date of delivery of the applicable Exercise Notice.

(h) “**Trading Day**” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock on such day, then on the principal securities exchange or securities market on which the Common Stock is then traded or qualified for quotation.

**[Signature Page Follows]**

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

MEDICINE MAN TECHNOLOGIES, INC.

By: \_\_\_\_\_

Name:

Title:

EXHIBIT A

**FORM OF EXERCISE NOTICE  
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS  
WARRANT TO PURCHASE COMMON STOCK  
MEDICINE MAN TECHNOLOGIES, INC.**

The undersigned holder hereby exercises the right to purchase\_\_\_\_ shares of Common Stock (“**Warrant Shares**”) of Medicine Man Technologies, Inc., a Nevada corporation d/b/a/ Schwazze (the “**Company**”), evidenced by the attached Warrant to Purchase Common Stock (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Payment of Exercise Price. The holder shall pay the Aggregate Exercise Price in the sum of \$\_\_\_\_\_ to the Company in accordance with the terms of the Warrant.

2. Delivery of Warrant Shares. The Company shall deliver to the holder \_\_\_\_\_ Warrant Shares in accordance with the terms of the Warrant.

Please issue the Warrant Shares in the following name and to the following account:

Issue to:

\_\_\_\_\_

Facsimile Number and Electronic Mail:

Authorization:

By:

Title:

Dated:

Broker Name:

Broker DTC #:

Broker Telephone #:

Account Number:

(if electronic book entry transfer)

Transaction Code Number:

(if electronic book entry transfer)

### ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs the Transfer Agent to issue the above indicated number of shares of Common Stock.

MEDICINE MAN TECHNOLOGIES, INC.

By:\_\_\_\_\_

Name:

Title:

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR ANY COMPARABLE STATE SECURITIES LAW, AND MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT COVERING THE TRANSFER OR AN EXEMPTION UNDER THE ACT.

PROMISSORY NOTE

\$17,000,000

February 8, 2022

For value received, NUEVO HOLDING, LLC, a New Mexico limited liability company (“Payor”) promises to pay to the order of Reynold Greenleaf & Associates, LLC, a New Mexico limited liability company (the “Holder”), the aggregate principal amount of \$17,000,000 (the “Principal Amount”) in accordance with and subject to the provisions of this Promissory Note (as may be amended from time to time, this “Seller Note”).

This Seller Note is being issued as a portion of the Purchase Price, pursuant to that certain Asset Purchase Agreement, dated as of November 29, 2021 (as may be amended and modified from time to time, the “Purchase Agreement”), by and among Payor, Holder, Elemental Kitchen and Laboratories, LLC, a New Mexico limited liability company and each other signatory thereto Any terms not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

1. Interest; Default Interest.

(a) Interest. The unpaid principal balance of this Seller Note shall bear interest at a rate per annum equal to 5.00%.

(b) Computation of Interest. Interest shall be computed on the basis of a year consisting of 360 days and charged for the actual number of days elapsed during the period for which interest is being charged.

2. Payments.

(a) Payor shall pay to Holder all accrued interest on the Note on the first Business Day of each month following the Closing (the “Monthly Interest Payment”).

(b) All amounts due and owing under this Seller Note, together with all accrued and unpaid interest thereon, shall be paid on February 8, 2025 (the “Maturity Date”).

(c) All payments made pursuant to this Seller Note shall be made in lawful money of the United States of America in immediately available funds and shall be made no later than 4:00 p.m. (New York, New York time) on the date on which such payment is due by wire transfer of immediately available funds to Holder pursuant to wire instructions provided by Holder in writing to Payor from time to time or as otherwise required by Holder from time to time.

(d) Payor may, at any time and from time to time, without premium or penalty, prepay all or any portion of the outstanding Principal Amount and any accrued and unpaid interest thereon.

(e) All payments shall be applied first to any accrued and unpaid interest on the Principal Amount of this Seller Note and thereafter to the unpaid Principal Amount of this Seller Note.

3. No Security. The Payor’s obligations under this Seller Note shall be unsecured.

4. Default. Each of the following events shall constitute an event of default (an “Event of Default”) hereunder:

(a) the failure by Payor to pay the Monthly Interest Payment or the Principal Amount, together with all accrued and unpaid interest thereon, or any other amount required hereunder when such payment is required to be made pursuant to the terms hereto unless such payment is made within two (2) Business Days of any missed payment date;

(b) Payor shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under applicable state bankruptcy laws, as amended or replaced from time to time (the “Bankruptcy Code”), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding-up, or composition or readjustment of debts, or (v) fail to controvert in a timely and appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under the Bankruptcy Code; or

(c) a proceeding or case shall be commenced, without the application or consent of Payor, as applicable, in any court of competent jurisdiction, seeking (i) Payor’s reorganization, liquidation, dissolution, arrangement or winding-up, or the composition or readjustment of any of its debts, (ii) the appointment of a receiver, custodian, trustee, examiner, liquidator or the like of Payor, or of all or any substantial part of its properties, or (iii) similar relief in respect of Payor under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) or more days; or an order for relief against Payor shall be entered in an involuntary case under the Bankruptcy Code.

#### 5. Remedies on Default.

(a) Upon the occurrence and during the continuation of an Event of Default, in addition to the rights and remedies set forth elsewhere in this Seller Note:

(i) upon the occurrence and continuance of an Event of Default specified in Section 4(a), Holder may in its discretion declare the unpaid Principal Amount of this Seller Note, together with all accrued and unpaid interest thereon, to be immediately due and

payable without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived, anything in this Seller Note to the contrary notwithstanding; and

(ii) upon the occurrence and continuance of an Event of Default specified in Section 4(b) or Section 4(c), the unpaid Principal Amount of this Seller Note, together with all accrued and unpaid interest thereon, shall thereupon and concurrently therewith become immediately due and payable, all without any action by Holder and without presentment, demand, protest, or other notice of any kind, all of which are expressly waived, anything in this Seller Note to the contrary notwithstanding.

(b) Each right, power, and remedy of Holder as provided for in this Seller Note or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Seller Note or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Holder, of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by Holder of any or all such other rights, powers, or remedies.

6. Setoff; Reductions. If at the time Payor is entitled to a payment under the Purchase Agreement for which Payor is entitled to exercise its right of Set-Off in accordance with the terms thereof (such payment amount, the “Owed Amount”), upon notice to Holder specifying the Owed Amount and citing the relevant section of the Purchase Agreement as the basis for such Owed Amount, Payor may deduct the Owed Amount from any unpaid Principal Amount, subject to the limitations set forth in the Purchase Agreement. The exercise by Payor of Payor’s rights in accordance with this Section 6 and the Purchase Agreement shall not constitute an Event of Default under this Seller Note.

7. Assignment. Payor’s obligations under this Seller Note shall not be assignable or assumable in any respect without the prior written consent of the Holder or unless permitted pursuant to Section 9.6 of the Purchase Agreement. Holder may not assign or otherwise transfer this Seller Note to any party without the prior written consent of Payor.

8. Forbearance. Any forbearance or delay of Holder in exercising any right or remedy hereunder or otherwise afforded by applicable law shall not be a waiver of or preclude the exercise of any right or remedy. No delay or omission on the part of Holder in exercising any right or remedy hereunder or otherwise afforded by applicable law nor any single or partial exercise by Holder of any right, remedy, power or privilege shall (a) operate as a waiver of such right or of any other right under this Seller Note or give rise to any estoppel, (b) be construed as an agreement to modify the terms of this Seller Note, or (c) preclude any other or further exercise by Holder of the same or of any other right, remedy, power, or privilege. No waiver by Holder of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence or continuing occurrence. No waiver by a party hereunder shall be effective unless it is in writing and signed by the party making such waiver.

9. Cancellation. After the Principal Amount owed on this Seller Note, together with all accrued and unpaid interest thereon, has been paid in full (which includes payment of amounts.

to the Escrow Account pursuant to the Purchase Agreement), this Seller Note shall be surrendered to Payor for cancellation and shall not be reissued.

10. Miscellaneous.

(a) The terms and provisions of Section 9.3 (Notices), Section 9.4 (Interpretation), Section 9.5 (Counterparts; Electronic Signature), Section 9.6 (Entire Agreement; Nonassignability; Parties in Interest), Section 9.7 (Severability), Section 9.9 (Arbitration), Section 9.10 (Governing Law; Jurisdiction), Section 9.11 (Waiver of Jury Trial), and Section 9.12 (Expenses) of the Purchase Agreement are hereby incorporated herein by reference and apply, mutatis mutandis, to this Agreement.

(b) If any payment is due, or any time period for giving notice or taking action expires, on a day which is not a Business Day, the payment shall be due and payable on, and the time period shall automatically be extended to, the next Business Day.

(c) Payor and Holder have participated jointly in the negotiation and drafting of this Seller Note. In the event an ambiguity or question of intent or interpretation arises, this Seller Note shall be construed as if drafted jointly by Payor and Holder, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Seller Note.

(d) Payor and any individual or entity who assumes the obligations of this Seller Note (if permitted hereunder) (i) waives demand, notice, presentment and notice of dishonor, acceleration and intent to accelerate; and (ii) agrees that no renewal or extension of this Seller Note, including a renewal or extension in which this Seller Note is surrendered, no release, surrender, no delay in the enforcement of payment of this Seller Note, and no delay or omission in exercising any right or power under this Seller Note shall affect such individual's or entity's liability or result in a waiver of such right or power.

(e) This Seller Note may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of each of the parties hereto.

(f) In the event that any provision of this Seller Note shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Seller Note shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

**[Remainder of Page Intentionally Left Blank]**



IN WITNESS WHEREOF, the parties hereto have executed and delivered this Promissory Note on the date first above written.

PAYOR:

NUEVO HOLDING, LLC

By: /s/ Justin Dye

Name: Justin Dye

Title: Authorized Signatory

Acknowledged by:

**REYNOLD GREENLEAF & ASSOCIATES, LLC**

By: /s/ William Ford

Name: William Ford

Title: Manager

[Signature page to Promissory Note]

**FIRST AMENDMENT TO JUSTIN DYE EMPLOYMENT AGREEMENT**

**THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT** is made and entered into on June 14, 2021, by and between Justin Dye (“Employee”) and MEDICINE MAN TECHNOLOGIES, INC. (“MMT”) DBA SCHWAZZE (each of the foregoing referred to individually as “Party” or collectively as the “Parties”).

**W I T N E S S E T H:**

**WHEREAS**, the Parties have previously entered into the Employment Agreement on or about December 5, 2019;

1. Section 3. of the Employment Agreement titled “COMPENSATION,” subsection a. is hereby amended and restated in its entirety as follows:

“Employer agrees to pay to the Employee during the Term of this Agreement, a base gross salary of \$350,000 per annum (“Base Salary”), payable in equal installments on a bi-weekly basis, due and payable on those days of the month where Employer customarily makes salary payments to its other employees. The Employee shall be entitled to receive catch up payments on the first payroll date in each of June, 2021, July 2021, and August 2021 equal to one third of any and all unpaid Base Salary for the months of January, 2021, February 2021, March 2021 and April 2021. Employer shall be responsible for deduction from each salary payment tendered to Employee herein all applicable withholding and other employment taxes imposed by state and federal tax regulations. The Employer may periodically increase Employee’s annual Base Salary at its sole discretion. On or about June 14, 2021, the Board established a new 2021 Bonus Plan (the “Bonus Plan”), which applies to the Employee. Under the Bonus Plan, Employee may earn a target cash bonus of up to 100% of their base salary adjusted or otherwise. The bonus plan is attached as Exhibit A to this First Amendment.”

2. Unless otherwise amended or restated pursuant to this First Amendment, the Employment Agreement remains in full force and effect, enforceable in accordance with its terms thereof.

**IN WITNESS WHEREOF**, the Parties have executed this First Amendment on the date set forth above.

**MEDICINE MAN TECHNOLOGIES, INC.**

**Justin Dye**

By: /s/ Jeff Garwood

By: /s/ Justin Dye

Name: Jeff Garwood

Name: Justin Dye

Title: Director, Member of the Compensation Committee

Title: Employee

Exhibit A

2020 Bonus Plan

## Exhibit 10.35

### Compensation Committee Minutes for June, 14, 2021

Jeff Garwood, chair of the Compensation Committee (hereinafter referred to as “Committee”) called the meeting to order at 8:01 a.m. MST.

In attendance: Members - Jeff Garwood, Brian Ruden, Pratap Mukharji, and Jeff Cozad; Officers – Justin Dye, CEO, Nancy Huber, CFO, Dan Pabon, General Counsel and Caroline Prummel-Troost.

Summary of Motions and Action Items for June 14, 2021 meeting

#### Motions:

Motion	Submitted	Seconded	Aye	Ney	Motion carried
Accept Executive Compensation Form and edit as required	Jeff Garwood	Brian Ruden	All		Unanimously
Bonus subject to Nancy Huber’s adjustments, no windfall/penalty for taxes/legislation etc.	Jeff Garwood	Pratap Mukharji	All		Unanimously

#### Action Items:

Action	Assigned to
Add MMT succession and feedback sections – A11, A12	Pratap Mukharji
Written comments regarding Charter	Jeff Cozad
Ongoing tracking/updating of references to SEC/other legal issues in Charter	Jeff Cozad, Dan Pabon
New draft of Charter	Jeff Garwood (by 06/18/21)
Review, comment, DocuSign Charter by end of June	Jeff Garwood, Jeff Cozad, Pratap Mukharji, Brian Ruden
Provide Nancy Huber with names of Comp Survey Firms	Jeff Garwood, Jeff Cozad, Pratap Mukharji, Brian Ruden
Provide five points for comp (equity vs cash etc.)	Pratap Mukharji

The below agenda was reviewed and approved by unanimous consent of the committee.

- Welcome/greetings
- Review, discuss, approve charter
- Review, discuss, approve Executive Compensation Amendments
- Review, discuss, approve the updated bonus plan
- Discuss redoing the compensation study – likely in Q3
- Discuss overall comp plans
  - Base
  - Bonus
    - o Performance
    - o Acquisitions
    - o Discretionary
  - Options
- Discuss possible other areas of comp/benefits
  - 401K
  - Stock purchase plans
  - Other
- Discuss and establish a basic compensation philosophy
  - Components of comp philosophy
  - Methodology for base salary raises
  - Annual percentages
  - Method of allocation
  - Performance reviews and association with compensation
  - Philosophy of base pay, bonus and option grants
  - Plan to take philosophy, document it and implement
- Discuss needs to hire folks ... to maintain growth
  - M&A diligence
  - Acquisition integration
  - Operations – purchasing, ecommerce, omni channel, data mining,
  - HR/Compensation Leader
  - Finance – controller
- Other topics for discussion

Mr. Dye began by providing a business update, deal update and diligence/integration challenges to the Committee.

#### Committee Charter

Unless otherwise decided by Committee, new draft will be circulated on Friday, June 18th.

Mr. Cozad shared his templates from other fortune 500 companies and will provide comments on current draft.

Discussion about keeping/adding back in MMT succession (MMT charter II.A.12) and feedback sections (MMT charter II.A.11.)

General counsel will make ensure all references to SEC or other legal issues are tracked and traced properly.

Action to be taken in future via docuSign or subsequent Committee.

#### Executive Compensation Form and Amendment

- o Discussion around the form and amendment made to Mr. Dye's employment contract.
- o Mr. Mukharji made motion to approve Justin's amendment and executive officer's amendments and any nonmaterial conforming amendments. Mr. Ruden seconded the motion.

Unanimously approved by Committee.

#### Bonus

- o Ms. Huber presented the updated bonus plan contained as an attachment to these minutes.
- o General discussion that taxes/NOL and other not be a penalty or a windfall for bonus pool. The compensation committee will have discretion to evaluate; management will inform Committee on cashflow for 280E, bonus and other actions on an ongoing "proforma" basis. Emphasis on rewarding performance, holding management accountable with non-performance.
- o The M&A bonus is up to 25% of the base salary of each executive. The bonus will be paid at 100% if at least \$50M of M&A activity is accomplished in 2021. Even though Justin Dye not listed in bonus spreadsheet, he should also have a 25% of salary M&A bonus.
- o Mr. Garwood made motion to approve the bonus subject to adjustments per Nancy's information and updates and the notion that no windfall or penalty for taxes/NOL will occur. Mr. Mukharji seconded the motion.

Unanimously approved by Committee.

#### Compensation Survey

- o Management will obtain several quotes from potential compensation survey consultants, vet those consultants and provide the quotes to the Committee.
- o Emphasis on ensure the compensation survey had a peer group definition in alignment with the Company. Desire to establish tiers of a compensation which took into all employees from ELT to entire company.

Committee will be presented compensation consultant quotes at August Committee meeting.

#### Compensation Philosophy

Goal - establish a balanced compensation arrangement that reflects a thoughtful approach and that can both be believed in and defended.

Steps: Need to determine type of company Schwazze is and perceived to be to ensure proper compensation comparables. Requires the entire organization to have a defined compensation plan of equity, cash, bonus and any other compensation.

Compensation Plan components:


- o Need pay for performance
- o Team does well if company does well
- o Need different philosophies for different roles in organization
- o Need to build a plan that aligns with key recruiting and retention by targeting the type of person/characteristics we want – risk taker vs maintainer etc
- o Committee Member feedback
  - o The current compensation plan is too high both in terms of equity and cash. Need to consider changes.
  - o Current compensation plan is market and was set against other private equity backed companies that are public.
  - o Need a balance of cash and equity. If more equity, less cash and vice versa. Also, need to ensure upside and downside are both experienced in organization.
  - o Important to establish a point of reference for measuring stock performance. Repricing of options should be last resort if used at all.

The Committee excused management from the discussion and discussed matters of import to the Committee.

The Chair adjourned the Committee at 10:12 a.m. MST

/s/Daniel R. Pabon

Corporate Secretary of Compensation Committee



# 12/14/2020 SCHWAZZE BOARD OF DIRECTORS MEETING

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# **EXECUTIVE COMPENSATION RECOMENDATION BONUS PROGRAM RECOMENDATION STOCK AND OPTION RECOMENDATIONS**

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**Schwazze**

# SUMMARY OF COMPENSATION RECOMENDATION

## Recommendations with-in the ranges of the Alvarez and Marsal Study

	Nancy	Dan	Nirup
Current Base	\$ 200,000	\$ 220,000	\$ 264,000
<b>New Base</b>	<b>\$ 225,000</b>	<b>\$ 250,000</b>	<b>\$ 300,000</b>
Adjusted Base	\$ 175,000	\$ 200,000	\$ 250,000
Delta to Base	\$ (50,000)	\$ (50,000)	\$ (50,000)
Current Options	700,000	650,000	600,000
<b>New Options</b>	<b>100,000</b>	<b>100,000</b>	<b>600,000</b>
Of New Base			
Base Bonus	50%	50%	50%
Acquisition Bonus	25%	25%	25%
Stretch Bonus	25%	25%	25%
Total Bonus available	100%	100%	100%

<b>Todds M&amp;A Bonus Plan</b>			
Target TTM Revenue	50,000,000		
Target Salary	200,000		
Pay % of TTM Revenue	0.40%		
Pay to a max of 100% of base (added \$200K), up to \$100M TTM revenue max			

- Base salaries are below the 25% in all three structures
- Base Bonus structures (Short Term) are at Midpoint of Peer group and max at 100%, below the Peer group
- Option Compensation (Long Term) is 375% to 500% of base salary - between 25-55 percentile of Peer Group

# BONUS COMPENSATION RECOMENDATION

## Recommendations with-in the ranges of the Alvarez and Marsal Study

Bonus Pool	Base Bonus	Paid for Acquisitions	Stretch Bonus	Adj Salary amount	Salaries	Base Bonus	Acquisition Rev Bonus	Remaining Bonus	Total Bonus (Base & Stretch)	Total Bonus % of salaries
Huber	50%	25%	25%	\$ 50,000.00	\$ 225,000.00	\$ 112,500.00	\$ 56,250.00	\$ 56,250.00	\$ 225,000.00	
Krishnamurthy	50%	25%	25%	\$ 50,000.00	\$ 300,000.00	\$ 150,000.00	\$ 75,000.00	\$ 75,000.00	\$ 300,000.00	
Pabon	50%	25%	25%	\$ 50,000.00	\$ 250,000.00	\$ 125,000.00	\$ 62,500.00	\$ 62,500.00	\$ 250,000.00	
				\$ 150,000.00	\$ 775,000.00	\$ 387,500.00	\$ 193,750.00	\$ 193,750.00	\$ 775,000.00	100%
SVP of Mfg - Parco	35%		70%		\$ 225,000.00	\$ 78,750.00	\$ -	\$ 78,750.00	\$ 157,500.00	
VP Retail - Lodge	30%		60%		\$ 150,000.00	\$ 45,000.00	\$ -	\$ 45,000.00	\$ 90,000.00	
VP Marketing - Suntrup	30%		60%		\$ 150,000.00	\$ 45,000.00	\$ -	\$ 45,000.00	\$ 90,000.00	
Sr Director of IT Saha	25%		50%		\$ 145,000.00	\$ 36,250.00	\$ -	\$ 36,250.00	\$ 72,500.00	
Sr Dir of HR/IMO - Beane	25%		50%		\$ 160,000.00	\$ 40,000.00	\$ -	\$ 40,000.00	\$ 80,000.00	
Sr Dir of Wholesale Sales - Bullock	25%		50%		\$ 140,000.00	\$ 35,000.00	\$ -	\$ 35,000.00	\$ 70,000.00	
Sr Dir of FP&A - Girolamo	25%		50%		\$ 140,000.00	\$ 35,000.00	\$ -	\$ 35,000.00	\$ 70,000.00	
Sr Dir of Data Analytics - Kolgaonkar	25%		50%		\$ 130,000.00	\$ 32,500.00	\$ -	\$ 32,500.00	\$ 65,000.00	
Dir of Treasury - Wilson	20%		40%		\$ 120,000.00	\$ 24,000.00	\$ -	\$ 24,000.00	\$ 48,000.00	
Dir of infrastructure - Hendrich	20%		40%		\$ 120,000.00	\$ 24,000.00	\$ -	\$ 24,000.00	\$ 48,000.00	
Marketing manager - Townsend	15%		30%		\$ 100,000.00	\$ 15,000.00	\$ -	\$ 15,000.00	\$ 30,000.00	
Product Development manager - H Parco	15%		30%		\$ 100,000.00	\$ 15,000.00	\$ -	\$ 15,000.00	\$ 30,000.00	
HR manager - Hamilton	5%		10%		\$ 75,000.00	\$ 3,750.00	\$ -	\$ 3,750.00	\$ 7,500.00	
Change Manager - Utraska	5%		10%		\$ 80,000.00	\$ 4,000.00	\$ -	\$ 4,000.00	\$ 8,000.00	
Licensing Manager - Weiss	5%		10%		\$ 75,000.00	\$ 3,750.00	\$ -	\$ 3,750.00	\$ 7,500.00	
Compliance manager - Caruso	5%		10%		\$ 70,000.00	\$ 3,500.00	\$ -	\$ 3,500.00	\$ 7,000.00	
Flower Manager - Dees	5%		10%		\$ 70,000.00	\$ 3,500.00	\$ -	\$ 3,500.00	\$ 7,000.00	
CPG Manager - Dorwart	5%		10%		\$ 75,000.00	\$ 3,750.00	\$ -	\$ 3,750.00	\$ 7,500.00	
				\$ -	\$ 2,125,000.00	\$ 447,750.00	\$ -	\$ 447,750.00	\$ 895,500.00	42%
Pool					\$ 2,900,000.00	\$ 835,250.00	\$ 193,750.00	\$ 641,500.00	\$ 1,670,500.00	58%

# BONUS COMPENSATION PAYOUT PROCESS RECOMENDATION

	2021 Plan
Revenue	114,403,673
Adjust 7 Starbuds closing Feb 1	(2,886,804)
Net Revenue	111,516,869
Operating Income	30,963,728
Adjust for 1 month of Starbuds	(1,090,399)
Adjust for 2.5% Royalty	(2,787,922)
Operating income after royalty	27,085,407
Stock Comp	3,440,076
One time deal expenses	65,000
Depreciation & Amortization	1,153,770
Estimated EBITDA	31,744,253
Estimated Taxes	(9,957,683)
Interest	(5,306,260)
Earnings before DA	16,480,311

- Bonus payout based on Earnings before Depreciation and Amortization - a proxy for Cash Flow
- Adjustments to “Prior Plan” for
  - Starbuds 7 stores closing at end of January
  - 2.5% Royalty

# BONUS COMPENSATION PAYOUT PROCESS RECOMENDATION

	2021 Plan	Adjust for 5 Starbuds	Remove Royalty	Adj for departed employee	Estimated increase in taxes by moving royalty offset by starbuds close timing	Interest updated	Updated Plan
Revenue	114,404	(2,586)					111,818
Adjust 7 Starbuds closing Feb 1	(2,829)	-					(2,829)
Net Revenue	111,517	(2,528)					108,989
	-						
Operating Income	30,964	(1,026)					29,938
Adjust for 1 month of Starbuds	(760)						(760)
Adjust for 2.5% Royalty	(2,788)	-	2,788				0
Operating Income after royalty	27,415	(1,026)	2,788				29,178
Stock Comp	3,440			(136)			3,304
One time deal expenses	65						65
Depreciation & Amortization	1,154	(9)					1,145
Estimated EBITDA	31,744						33,692
	-						
Estimated Taxes	(9,958)				(768)		(10,726)
Cash Interest	(5,306)					(767)	(6,073)
Earnings before DA	16,480						16,893
Add tax	26,438						27,618

- Bonus payout based on Earnings before Depreciation and Amortization - a proxy for Cash Flow
  - Suggest adding back tax - with NOL's etc. mgt does not affect
- Adjustments to "Prior Plan" for
  - Starbuds 2 stores closing at end of January, 5 at end of February
  - 2.5% Royalty
  - Interest updated for Altmore

# BONUS COMPENSATION PAYOUT PROCESS RECOMENDATION

- Bonus payout happen staring at 90% of Earnings before D&A (cash target) and pays 100% of target bonus at 125% of Plan "cash target"
- Pay \$150K of executive salary makeup at plan EBITDA
- Bonus up to 200% can be earned at 145% of "cash target"

					Bonus Target Amount	Bonus Portion of cash income above Plan	Company Portion	Company Portion of Cash above Plan	Cash After Bonus Payout before taxes
% of Earnings before D&A	Earnings Before T, D&A	Delta	Cash before bonus above plan	Target Bonus payout					
90%	24,857			10%	\$ 83.53		\$ (83.53)		24,773
100%	27,618			20%	\$ 167.05		\$ (167.05)		27,451
105%	28,999	1,381	1,381	30%	\$ 250.58	18%	\$ 1,130.34	82%	28,749
110%	30,380	1,381	2,762	40%	\$ 334.10	12%	\$ 2,427.73	88%	30,046
115%	31,761	1,381	4,143	60%	\$ 501.15	12%	\$ 3,641.60	88%	31,260
120%	33,142	1,381	5,524	80%	\$ 668.20	12%	\$ 4,855.47	88%	32,474
125%	34,523	1,381	6,905	100%	\$ 835.25	12%	\$ 6,069.34	88%	33,688
130%	35,904	1,381	8,286	125%	\$ 995.63	12%	\$ 7,289.88	88%	34,908
135%	37,285	1,381	9,666	150%	\$ 1,156.00	12%	\$ 8,510.42	88%	36,129
140%	38,666	1,381	11,047	175%	\$ 1,316.38	12%	\$ 9,730.96	88%	37,349
145%	40,047	1,381	12,428	200%	\$ 1,476.75	12%	\$ 10,951.51	88%	38,570

**Exhibit 21.1****Medicine Man Technologies, Inc.**

<b>Subsidiary</b>	<b>State or Jurisdiction of Incorporation or Organization</b>
Two JS LLC	Colorado
PBS Holdco LLC	Colorado
SBUD LLC	Colorado
Schwazze Colorado LLC	Colorado
Medicine Man Consulting Inc.	Colorado
SCG Holding, LLC	Colorado
Mesa Organics II Ltd.	Colorado
Mesa Organics III Ltd.	Colorado
Mesa Organics IV Ltd.	Colorado
Double Brow LLC	Colorado
Emerald Fields Merger LLC	Colorado
Nuevo Holdings LLC	New Mexico
Medicine Man Technologies, Inc	Nevada
Schwazze New Mexico, LLC	New Mexico
Reserve1, LLC	Colorado
Reserve 1 Manitou, LLC	Colorado
Schwazze IP Holdco, LLC	Colorado
Schwazze Biosciences, LLC	Colorado
Mission Holding, LLC	Colorado
MIH Manager, LLC	Colorado
Flower Mountain Holdings, LLC	Colorado
Nuevo Elemental Holding, LLC	New Mexico
Elemental Kitchen and Laboratories, LLC	New Mexico
Reynold Greenleaf & Associates, LLC	New Mexico
Medzen Services, Inc	New Mexico
R. Greenleaf Organics, Inc.	New Mexico

## Exhibit 23.1

### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation in this Annual report on Form 10-K of our report dated March 31, 2022, relating to the consolidated financial statements of Medicine Man Technologies, Inc. as of December 31, 2021 and to all references to our firm included in this Annual Report.

B F Boyer CPA PC

Certified Public Accountants  
Lakewood, CO  
March 31, 2022



CERTIFICATION

I, Justin Dye, certify that:

1. I have reviewed this annual report on Form 10-K of Medicine Man Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2022

/s/ Justin Dye

Justin Dye, Chief Executive Officer

CERTIFICATION

I, Nancy Huber, certify that:

1. I have reviewed this annual report on Form 10-K of Medicine Man Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2022

/s/ Nancy Huber

Nancy Huber, Chief Financial Officer

**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 annual report of Medicine Man Technologies, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on March 31, 2022 (the “Report”), we, the undersigned, in the capacities and on the date indicated below, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Rule 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2022

/s/ Justin Dye

Justin Dye, Chief Executive Officer

Dated: March 31, 2022

/s/ Nancy Huber

Nancy Huber, Chief Financial Officer